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THE ROLE OF URBAN NON-CAPITALIST ACTIVITY IN A DEVELOPING ECONOMY: THE CASE OF COLOMBIA

by

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"Generally we can't count on someone to help around the house. What the husband earns is too little and really we all have to help out, like my making salteñas. Some women help out by knitting, others sew clothes, others make rugs, others sell things in the street. Some women can't help out and then the situation is really difficult... Well, I think that all of this proves how the miner is doubly exploited, no? Because with such a small wage, the woman has to do much more work in the home. And really that's unpaid work that we are doing for the boss, isn't it? ... In other words, they try not to give the worker any sort of comfort. He's got to work it all out for himself. And that's that. In my case, for example, my husband works, I work, I make my children work, so there are several of us working to support the family. And the bosses get richer and richer and the workers' conditions get worse and worse."

Let Me Speak!

Domitila Barrios de Chungara

To my parents Alberto and Sofía,
my brother Alvaro and his wife Paulina,
and to my sister Marcela.

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ABBREVIATIONS

ANDI	Asociación Nacional de Industriales
ANIF	Asociación Nacional de Instituciones Financieras
ASCOFAME	Asociación Nacional de Facultades de Medicina
CAFAM	Caja de Compensación Familiar
CAT	Certificado de Abono Tributario
CCRP	Corporación Centro Regional de Población
CEBRAP	Centro Brasileiro de Análise e Planejamento
CEDE	Centro de Estudios sobre Desarrollo Economico - Universidad de Los Andes
CES	Constant Elasticity of Substitution
CGT	Confederación Nacional de Trabajadores
CID	Centro de Investigaciones para el Desarrollo - Universidad Nacional de Colombia
CIDA	Comité Interamericano de Desarrollo Agrícola
CIE	Centro de Investigaciones Económicas - Universidad de Antioquia
CINEP	Centro de Investigación y Educación Popular
CLACSO	Consejo Latinoamericano de Ciencias Sociales
COLDATOS	Compañía Colombiana de Datos
CONFECAMARAS	Confederación de Cámaras de Comercio
CORABASTOS	Corporación de Abastos de Bogotá
CSIH	Capitalist Source of Income Household
CSTC	Confederación Sindical de Trabajadores de Colombia
CTC	Central de Trabajadores de Colombia
DANE	Departamento Administrativo Nacional de Estadística
DESAL	Centro para el Desarrollo Económico y Social de Latinoamerica
DICEPRO	División de Censos y Programación - DANE
DNP	Departamento Nacional de Planeación
DPN	División de Precios Nacionales - DNP

ECE	Economic Commission for Europe
ECIEL	Estudios Conjuntos sobre Integración Económica Latinoamericana
ECLA	Economic Commission for Latin America
FEDESARROLLO	Fundación para la Educación Superior y el Desarrollo
FENALCO	Federación Nacional de Comerciantes
FFM	Fondo de Fomento Municipal
FLACSO	Facultad Latinoamericana de Ciencias Sociales
FNG	Fondo Nacional de Ganadería
GDP	Gross Domestic Product
GNP	Gross National Product
IBRD	International Bank for Reconstruction and Development
ICSS	Instituto Colombiano de Seguros Sociales
ICT	Instituto de Crédito Territorial
IDEMA	Instituto de Mercadeo Agropecuario
IDS	Institute of Development Studies - University of Sussex
IFI	Instituto de Fomento Industrial
ILAS	Institute of Latin American Studies - University of Glasgow
ILO	International Labour Office
ILPES	Instituto Latinoamericano de Planificación Económica y Social
ISIC	International Standard Industrial Classification - UN
LDCs	Less Developed Countries
MIT	Massachusetts Institute of Technology
MSIH	Mixed Source of Income Households
NBER	National Bureau of Economic Research
NCSIH	Non-capitalist Source of Income Households
NLB	New Left Books
OECD	Organization for Economic Co-operation and Development
OFISEL	Oficina de Investigaciones Socio-económicas y Laborales

OPSA	Oficina de Planeación del Sector Agropecuario
PIMUR	Proyecto Integrado de Mercadeo Urbano Rural del Valle del Cauca
PREALC	Programa Regional del Empleo para América Latina y el Caribe
PROEXPO	Fondo de Promoción de Exportaciones
SINUCOM	Sindicato Unifacado de Comerciantes Ambulantes
SPSS	Statistical Package for the Social Sciences
TDL	Technical Division of Labour
UDS	Unidad de Desarrollo Social - DNP
UEI	Unidad de Estudios Internacionales - DNP
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UTC	Unión de Trabajadores de Colombia
WEP	World Employment Programme

SUMMARY

The major objective of this thesis is to study the articulation between urban non-capitalist activity and the capitalist sector of the Colombian economy, in an attempt to show that these two sectors which are distinct in nature are, nonetheless, inseparable as aspects of the current process of capitalist development and accumulation in Colombia. In particular, this study attempts to show that those sections of the urban labour force engaged in non-capitalist activity participate in, and actually contribute to, the development of capitalist production and accumulation in Colombia by: (i) exerting a downward pressure on the level of wages that are paid by capital to its work force, (ii) supplementing the insufficient means of subsistence that are provided by capital in the form of low wages for the maintenance and reproduction of labour and (iii) supplying essential goods and services, especially in those instances where it is either unprofitable or too costly for capital to provide them on the basis of wage-labour. The analysis is based on primary data collected by CEDE's Survey of Employment and Poverty as well as secondary data from other sources and concentrates on the four main cities of Colombia, namely, Bogotá, Cali, Medellín and Barranquilla.

Chapter I is concerned with a critical examination of the literature on urban productive heterogeneity, focussing in particular on the form in which the inter-relationship between the two sectors is viewed within the various approaches that exist on the problem. At a more general level, this Chapter also discusses the two major theoretical limitations posed by the main approaches to urban productive heterogeneity to our understanding of the role played by urban non-capitalist activity in the process of development in LDCs:

(i) the dualist and residual mode of analysis used in these interpretations of the economy which, we argue, results from the use of traditional development theory as a general framework for analysis and (ii) the sharp division between the two sectors and their radical opposition, as expressed by their hypothesis about the existence of a dual sector economy and labour market structure in the urban areas of LDCs.

Chapter II describes the background against which urban non-capitalist forms of economic activity have been retained in the course of Colombia's capitalist development. Using secondary data, an attempt is made to show that particular features of Colombia's agricultural and industrial development have acted as conditioning factors for the permanence rather than the elimination of certain elements of non-capitalist forms of economic activity in the urban economy of Colombia.

Chapter III is concerned with the methodology followed in this study for distinguishing non-capitalist activity from its capitalist counterpart, a distinction upon which the analysis of the following Chapters is based. Five distinctive features of the enterprises in which the workers are engaged provide the basis for the capitalist/non-capitalist sector distinction used in this study. The Chapter also describes the main methodological aspects of CEDE's Survey of Employment and Poverty and provides a broad description of the employment structure in Colombia's four main cities.

Chapter IV examines the role of urban non-capitalist activity in depressing wage rates. The analysis of pay and work-hours differentials among comparable groups of capitalist and non-capitalist sector workers, defined in terms of Cairnes's 'non-competing groups' proposition, shows that the level of earnings of the manual wage-earners

employed by the capitalist sector does not vary significantly from that obtained by non-capitalist sector workers of similar characteristics. This finding not only disproves the main hypothesis of dualist analysts, i.e. the existence of a dual labour market structure in the urban economy of LDCs but shows that, in their capacity as a reserve army of labour, the workers of the non-capitalist sector of the Colombian urban economy exert a downward pressure on the level of wages because they are readily available and competing for the jobs currently being held by manual wage-earners in the capitalist sector.

Chapter V examines the role of urban non-capitalist activity in supplementing the insufficient means of subsistence set aside by capital in the form of low wages for the maintenance and reproduction of its work force. In this Chapter, the unit of analysis is the household of the worker rather than the individual worker, since the maintenance and reproduction of labour takes place within the worker's household, where all the incomes are shared among working and non-working members. The classification of households in accordance to the capitalist and/or non-capitalist nature of their labour incomes shows that over a half of Colombia's four largest cities' households are partially or totally supported by incomes obtained in the context of non-capitalist relations of production. The significance of the urban non-capitalist sector in the process of maintenance and reproduction of labour in Colombia is further reinforced when the levels of income and standards of living achieved by households which are partly supported by earnings that stem from the capitalist sector, but which resort to non-capitalist activity as a source of extra income, are compared to those achieved by households which are only supported by earnings procured in the capitalist sector.

Further, urban non-capitalist activity plays a significant role as a supplier of essential goods and services within the economy. Chapter VI focusses on this role with particular reference to Bogotá's food retailing industry. The reliance of the capitalist sector on non-capitalist activity for the supply of food retailing services to the community is seen in the light of the following two factors: (i) the needs of the consumers and the response to those needs and (ii) the conditions under which food retailing becomes a profitable proposition for commercial capital. Examination of the consumption, expenditure and purchasing patterns of consumers and of the operating costs and revenue of food retail establishments shows that, from the point of view of the needs and wants of the consumers and the profitability of the forms of retailing that satisfy those needs, capitalist retailing is not an attractive proposition when it comes to serving the low income groups. . . Thus far, the non-capitalist counterpart in the supply of food retailing services in Bogotá can be seen as part of an operational division of labour whereby capital only attends to those retail operations which are profitable by capitalist standards, while leaving the 'unprofitable' task of selling food to that section of the market characterized by a low purchasing power to thousands of small, non-capitalist retailers who are prepared to provide the service at the cost of their own labour remuneration.

Chapter VII contains a concluding appraisal of the role of urban non-capitalist activity in the process of capitalist development and accumulation of the Colombian economy. In the light of the particular characteristics assumed by the process of capitalist development in Colombia, the importance of maintaining low wages (i.e. production of absolute surplus-value) as a means of increasing profits for capital is discussed. Urban non-capitalist activity

contributes to the maintenance of low wages not only by competing in the labour market, but also by supplementing the insufficient means of maintenance and reproduction, thus providing capital with a greater flexibility for pushing wages down. In addition, the workers of the urban non-capitalist sector also contribute to increasing the profits of capital through the specific content of their activities. The need for a particular characterization of the proletarianization process in Colombia that corresponds to the 'mixed' conditions in which capital operates is discussed. Finally, the two major theoretical limitations of the dualist approach to urban development are re-appraised in the light of the main findings of this thesis.

CHAPTER I

'PRODUCTIVE HETEROGENEITY': DUALISM IN URBAN DEVELOPMENT?

From the sixties onwards most of the studies on development relating to Third World employment and poverty have recognized heterogeneity in the structure of production in the urban areas as being a characteristic phenomenon of underdevelopment. This 'productive heterogeneity' refers to the existence of a non-capitalist sector alongside the capitalist sector in urban areas and is usually described in terms of a 'two sector model', e.g. modern/traditional, formal/informal, capitalist/marginal and so on. In these models, the non-capitalist sector is described as the small scale and generally 'backward' sector of the economy, low in productivity, in contrast to the capitalist sector which is regarded as the technologically advanced, highly productive and stable sector of the economy. Underlying this dichotomization of the economy is the assumption that in the non-capitalist sector of the economy income, and consequently savings and growth,are low; in the capitalist sector, income is high, savings are plentiful and growth is self-sustaining. Moreover, the urban non-capitalist sector is seen as a 'residual' sector in which those who cannot obtain a paid job in the capitalist sector eke out an impoverished existence by engaging in activities which range from begging and petty crime to small scale distribution and production, while awaiting to be absorbed by the developing sector of the economy, i.e. the capitalist sector. In this context, economic development appears as synonymous with 'modernization' and the problem of development is reduced to discovering ways of 'modernizing' the underdeveloped sector of the economy. Here, in essence, we have the theory of the dual economy which emerged from the application of the

concepts of development and underdevelopment (as defined after the second World War) to individual 'underdeveloped' economies. [1]

The acritical acceptance of this bold approach to development as a framework for analysis by most analysts on urban development explains why the phenomenon of urban productive heterogeneity came to be examined primarily in relation to questions such as the following: How can the rate of structural transformation within the economy be accelerated in the course of development? How can the absorption of the non-capitalist sector into an expanding modern sector be accomplished? What, if any, is the role of the government in that process? According to the answers given to these and similar questions, the literature written on urban productive heterogeneity in the last two decades can be classified into three groups, as follows: (1) ECLA's writings on marginality advocating the effectiveness of the 'filter down' effects of growth-orientated strategies; (2) ILO's informal sector approach advocating the need for developing closer links between the two sectors through subcontracting, provision of credit and so on; and, the 'petty commodity producers' approach advocating the cutting of exploitative links between petty commodity producers and capitalist enterprises through direct government action and legislation and, finally, (3) the Latin American School of Economic Marginality which presents a negative outlook on the possibilities of overcoming productive heterogeneity in Latin America by arguing that, within the prevailing order, the marginal sectors of the population are denied participation in the overall process of capitalist development and therefore are, and will remain, excluded from the capitalist sector of the economy.

The usefulness of the extensive literature written over the last two decades on urban productive heterogeneity in LDCs is considerable as regards both the recognition of the heterogeneous nature of the

urban economy and the description of non-capitalist forms of economic activity. However, it has limitations when it comes to explain (i) the emergence of this phenomenon in the economic structure and (ii) the way in which these different forms of economic activity interrelate with each other as integral elements of one and the same process of development. This thesis will attempt to rectify this deficiency in some small way, with particular reference to the Colombian case. It will argue that current forms of urban non-capitalist activity [2] are an inseparable element of Colombia's capitalist economy not only because they are essentially a by-product of the form in which capitalist development proceeded in Colombia but, also, because they have effectively been brought to participate in the Colombian process of capitalist development.

The major intention of the analysis is to show that the capitalist and non-capitalist sectors of the Colombian urban economy are distinct but inseparable aspects of the current process of capitalist development. More specifically, three forms in which the workers of the urban non-capitalist sector participate in, and actually contribute to, the development of capitalist production and accumulation in Colombia will be examined. In a capitalist society, accumulation is the process by which production is expanded continuously in an effort to increase the production of surplus-value both relatively and absolutely. [3]

Using data collected in 1977 within CEDE's survey of Employment and Poverty in the four major cities of Colombia, this thesis will look at the role played by the workers of the urban non-capitalist sector in (i) maintaining a low level of wages within the economy and (ii) supplementing the means of subsistence required for the maintenance and reproduction of labour in general and, of the work force employed by the capitalist sector in particular. With

particular reference to the provision of food retailing services in Bogotá and using secondary data collected in 1970 within CID's survey of Bogotá's Food Distribution System, as well as other sources, this thesis will also examine the role played by the workers of the urban non-capitalist sector as suppliers of essential goods and services, particularly in those instances when their provision is unprofitable by capitalist standards. Thus, it is the link between urban non-capitalist activity and the labour market, wages and the process of labour reproduction on the one hand, and the productive and distributive processes on the other, that will be analyzed; links which, as we shall see, help to increase the mass of surplus-value appropriated by capital in the form of profits.

Bearing in mind the general objective of this thesis, it is worthwhile briefly examining the literature written on productive heterogeneity in recent years. However, it is not the purpose of this Chapter to attempt a comprehensive review of this extensive literature.[4] The intention is rather to discuss the major limitations posed by the literature to our understanding of the role played by the workers of the urban non-capitalist sector in the actual process of development in LDCs. Most of the reservations of this author about the literature on urban development concern the dualist and residual mode of analysis used in these interpretations of the economy which, it will be argued, results from (i) the use of neo-classical development theory as their conceptual framework for analysis and, (ii) the sharp division between the two sectors and their radical opposition, as expressed by their basic hypothesis about the existence of a dual economy and labour market structure in the urban areas of LDCs. But before expanding on these points, it is necessary to consider the various ways in which the crucial question of interrelationships between the two sectors of the urban economy has been viewed in the literature.

(i) ECLA's notions of marginality

From the mid-sixties on, some ECLA analysts began to question the ability of the economic structure to absorb all the available manpower,[5] and their analyses concentrated on the disproportionate growth of the service sector.[6] It was argued that the ranks of those employed in the tertiary sector (especially in personal services and street trading) had been swollen by redundant labour that could be eliminated without any loss in efficiency. Defined as a redundant sector in terms of productivity, the 'marginal' sector - at one point closely associated with the people living in the 'margins' of the cities (slums)[7] - came to be seen as a 'dead weight' for the economic system. However, in ECLA's view, the exclusion of the marginal sector from the economy was only a temporary imbalance which would be solved with the acceleration of development.[8] It was argued that in the process of modernization the marginal labour force would shift from their 'marginal' occupations in the 'inflated' tertiary sector to industrial sector wage employment, to the eventual benefit of economic growth, equitable income distribution and social harmony. In short, marginality for ECLA entailed 'lack of participation' at the level of the economic, social and political structures.[9] In particular, 'participation' and 'marginality' were viewed as two poles of a continuum in which participation was positively defined: more wages, power, freedom and autonomy. This view, which sees the marginal sector as a 'dead weight' for the economic system, warrants no further discussion for the purposes of this thesis since it does not acknowledge the existence of any links between the two sectors of the urban economy.

(ii) ILO's informal sector approach

The formal-informal sector distinction, introduced by K. Hart in 1971[10] and then taken up in the ILO/UNDP employment mission report

on Kenya,[11] differs from ECLA's notions of marginality in that it recognizes informal sector activity as income generating activity and not as a 'dead weight' in the economic system. Moreover, while the 'residual model' assumed the small sector to be non-dynamic, the formal-informal dichotomy allowed for the possibility of a dynamic informal sector.[12] In their view, the main advantage of the formal-informal dichotomy was its contribution to a description of duality that avoided the bias against the low income sector inherent in the modern-traditional dichotomy.[13] As Sethuraman argues, the basic reason for the introduction of the term 'informal sector' in the report on Kenya followed from the recognition of the fact that it takes a very long time for the benefit of general development policies to trickle down to the poorest sections of the population and, therefore, effective development has to be focused directly on a specific "target" population.[14] Given this assumption, the aims of the ILO's World Employment Programme (WEP) were focused primarily on the urban poor which, for lack of a better alternative, was called the informal sector.[15]

The definition of the target group (the 'working poor') varies in ILO's studies according to the nature of the work. Some studies defined it in terms of the individuals' incomes or their housing conditions or their access to services;[16] some on the basis of the workers' personal characteristics or their employment/occupational status;[17] some on the basis of the type of relationship that is established between the State and the enterprises;[18] some on the basis of the characteristics of the labour market or labour relations in which the individual participates;[19] and some on the basis of the type of economic activity or enterprise on which the workers depend for their livelihood.[20] Notwithstanding these differences in definitions, what is common to all the studies which subscribe to

the informal sector approach at a theoretical level is the fundamental question of the informal sector's ability (or inability) to generate economic growth. Concerned with the possibilities of growth and development of the informal sector and its significance for solving the problems of employment and poverty in LDCs, informal sector analysts have focused their attention on the identification of both the factors that will eventually lead to the economic growth of the sector and the areas to which policies should be directed to promote its development. However, the answer to these questions varies according to the form and nature of the relationship that is recognized to exist between the two sectors of the urban economy. First, there are those who argue that the informal sector is an autonomous, self-contained segment of the economy.[21] Secondly, there are those who argue that the informal sector is integrated into the rest of the economy in a complementary and beneficial manner.[22] Thirdly, there are those who argue that the informal sector is integrated into the formal sector in a dependent and subordinate way.[23] The following passage briefly examines these different positions.

1. Autonomous informal sector

Within this approach, the informal sector is characterized by the lack of important links with the rest of the economy, the argument being that most of the goods and services produced by the informal sector are consumed within the same sector. However, the informal sector is recognized as economically efficient, its main advantage being the adequate factor proportions used in those activities, i.e. it is labour intensive. Inherent in this argument is the fact that the efficient use of factors can generate an economic surplus which, if continually and adequately reinvested, can foster future growth. The ILO's report on Kenya provides the best example of this view.[24]

2. Complementary informal sector

The informal sector is seen as a sector integrated into the rest of the economy through market relations (in both directions) and as a supplier of important goods and services; mainly consumer goods for low income groups and indigenous capital goods, as well as a vast range of services. This view is complementary to the first, arguing that the capacity of accumulation of the informal sector is enhanced by its access through these trade flows to the expanding markets of the rest of the economy. Moreover, the informal sector is seen as beneficial to the formal sector since it alleviates the pressure on foreign exchange (imported consumer goods and simple machine tools) while, at the same time, it ensures a more efficient utilization of capital in accordance with the factors proportion endowment of the economy. Thus, under 'integrated conditions', the growth potential thesis is further reinforced since the linkages are assumed to be complementary. It is argued that growth in the formal sector should be reflected in the economic growth of the informal sector due to increases in the consumption of informal sector goods and services within the formal sector. [25]

3. Subordinated informal sector or petty commodity approach

In contrast to the former views, this view emphasizes the dependent-subordinate character and exploitative nature of the relationship between the two sectors. Dependency in the case of an integrated informal sector is said to operate on the source of supply (the formal sector providing most of the essential raw materials and capital goods [26] and, in the case of the informal commercial activities, the final products for further commercialization [27]) and, on the output side, the subordination links operate through the sale of cheap goods, through the subcontracting system and through the supply of cheap personal services. It is argued that any surplus produced in

the informal sector is gained by the formal sector through market relations involving unequal terms of trade.[28] The exploitative nature of the relationship between the two sectors, on the other hand, is emphasized by several authors.[29] Gerry, for instance, argues that, in addition to the subordination of the petty producer to capital via the mechanism of unequal exchange, both the sale of low price wage goods to the workers of the formal sector and the sub-contracting mechanism help to increase the exploitation of labour in the formal sector by maintaining a low level of subsistence and a low cost of labour reproduction.[30]

Although many useful points are raised by this third group of analysts, especially with regard to the exploitative nature of the relationship between the two sectors, their work is primarily concerned with the sector's growth potential. In relation to the possibilities of capital accumulation within the sector, this group of authors, particularly Gerry and Bienefeld, see serious constraints and limitations given the dependent position of the petty producers within the economy. Moreover, they argue that if informal sector activity were to show any sign of growth it would be liquidated, since the formal sector (closely linked to the international capitalist system) would compete with enormous advantages. Thus, under 'subordinated conditions', these authors see the survival of informal sector activities continuing only so long as there are economic activities which capitalist firms do not regard as profitable.

Briefly then, the general objective of the literature on the informal sector has been to examine the range of opportunities available outside the organized market [31] and its implications for possible development policy.[32] Within this approach it is assumed that the informal sector (however defined) represents a part of the urban economy which has its own dynamic of development. The informal

sector, however, is judged by criteria employed in relation to the formal sector and emphasis is placed on the potentiality of the sector for, accumulating capital, increasing labour productivity (and, hence, incomes), achieving technological progress, gaining access to financial capital through credits, and so on. The basic assumption is that the informal sector is economically efficient and capable of generating a surplus, despite the fact that it includes the poorest fraction of the urban population. However, the answer to the question of how the development of the informal sector can be effected varies according to the nature of the relationship that is recognized to exist between the two sectors of the urban economy. On the one hand, those authors who see the informal sector as 'autonomous' or 'integrated' to the rest of the economy in a complementary and 'benign' manner, [33] mainly through market relations, advocate a strengthening of those links through direct State intervention, e.g. the channelling of financial resources, provision of infrastructure, and the like, and/or through the reinforcement of the subcontracting system with the public and private sectors. [34] On the other hand, those authors who recognize the 'exploitative' nature of the relationship between the two sectors, see serious constraints and limitations for the possibility of accumulating capital in the informal sector, given the dependent and subordinate position of the sector in relation to the rest of the economy. [35] Thus, the policy measures proposed by these analysts advocate an increasing autonomy of the informal sector and the cutting of links with large capitalist enterprises, especially those strongly identified with the international capitalist system.

Although the informal sector literature provides us with a useful description of the so-called informal sector's activities in Africa, Asia and Latin America, [36] at a theoretical level the informal sector

is seen as little more than a 'residual' sector in relation to the formal sector, although capable of being modernized if the proper policies are pursued. In short, the productive heterogeneity in the urban areas of LDCs is seen as an imperfection of the market that needs to be corrected through the adoption of a 'modernization pattern' which will lead to 'evolutionary' growth of the sector [37] and, hence, to development itself. [38]

(iii) Latin American School of Economic Marginality

The third attempt to deal with the phenomenon of productive heterogeneity is that of the Latin American School of Economic Marginality mainly represented in the works of Nun and Quijano. [39] The primary purpose of this school, within the context of dependency theory, was to theorize about marginality rather than treating the phenomenon in a descriptive manner as ECLA did. In an effort to explain the 'process of marginalization' to which part of the labour force is subjected in the monopolistic stage of capitalism, both Nun and Quijano described and brought together a multiplicity of phenomena regarding the dependent development of Latin America. The argument is that as a result of dependence, that is the subordination of one economy to another, the Latin American pattern of development differs in certain important respects from that experienced by the developed world. More specifically, it is argued that the pattern of development imposed by the 'centre' in Latin America involved abrupt rather than gradual change, while at the same time it concentrated on the development of specific sectors rather than on the economy as a whole. In this analysis special attention is given to the role played by advanced technology (imported from the centre) in accentuating rather than reducing the differentiation between sectors within the economy. Within this approach, first the economy is divided into a capitalist and a marginal sector; the

capitalist sector is, in turn, divided into a monopolistic and a competitive sector.

Although Nun and Quijano approached the analysis of marginality from different perspectives,[40] their conclusions are very similar. Both concluded that in the monopolistic stage of capitalism the marxist concept of reserve army, a category relating the creation of a surplus population to the process of capital accumulation, is no longer valid to explain the 'excess surplus population' in the urban areas of Latin America.[41] Their argument is that the size of the surplus population has grown beyond that which is required to exert a downward pressure on the level of wages of those employed in the hegemonic monopolistic sector and, therefore, the 'excess' part of the labour supply can be regarded as a mass that is marginal for the purposes of capital accumulation in this sector.[42] More specifically, the labour force excluded from the capitalist sector is seen, in relation to the monopolistic sector, as an afunctional or marginal mass. However, in relation to the competitive sector it is seen as playing the role of a reserve army. The competitive sector of the economy, in its turn, is seen as playing the role of reserve army for the monopolistic sector although, by the same token, a fraction of those employed in the former sector is categorized as 'marginal'. In short, within this approach the nature of both dependent development and technological progress are seen as the most important causes of urban marginality in Latin America, a condition implying the permanent exclusion of part of the labour force not only from wage employment but also from the overall process of capitalist development.[43] Hence, the process of marginalization is viewed as part of the more general process of accentuating 'dependency' and deepening 'underdevelopment' in Latin America.[44]

Although the Latin American School of Economic Marginality placed the phenomenon of urban productive heterogeneity in a historical perspective and made important advances concerning the nature of the relationship between capitalist and non-capitalist forms of economic activity, it failed to modify ECLA's view of marginality as a phenomenon resulting from 'lack of integration'. There are two important reasons for this. Firstly, the over-eagerness of these authors to demonstrate that dependency implies marginality led them to overlook the fact that the non-incorporation of large sectors of the population into wage employment stems from the nature of capital itself rather than from a condition of dependency. [45] In other words, they failed to acknowledge that both the concentration of capital and the use of capital intensive technology are a result of the development of capital, regardless of its country of origin. Secondly the over-eagerness of these authors to re-interpret marxist concepts - due basically to their misunderstanding of marxist analysis and conceptual framework [46] - explains their failure to question, in the first place, the validity of approaching the problem of urban productive heterogeneity in terms of marginality.

The Latin American School of Economic Marginality examined the phenomenon of productive heterogeneity with criteria which belong exclusively to the capitalist mode of production. For the analysts of this School, the integration of the labour force into the dominant mode of production through the typical relationship of capitalism, i.e. the wage-form, is the only one that matters. This explains, to a large extent, why the social and productive heterogeneity in the urban areas of Latin America was seen as a <u>distortion</u>, rather than an aspect, of the process of development in those countries. Indeed, very little effort was devoted in the analyses of this School to the identification of alternative mechanisms to the wage-form, through which the

"marginal" fraction of the labour force is brought to participate in the ongoing process of accumulation in Latin America. Murmis, for example, recognizes these weaknesses when he notes that "the non-classical forms of insertion on the 'marginal masses' [insertion in the process of production and exchange] fulfil a very important role in the system. Consequently, the conception of them as 'marginals' loses legitimacy since these sectors can become central to the processes of exploitation and accumulation". [47]

The approach adopted by this School, particularly the use of dependency theory as their framework for analysis, was severely criticized by CEBRAP analysts such as F. de Oliveira, L. Kowarick and V. Faria. [48] CEBRAP's criticism, however, was a constructive one in so far as it re-oriented the discussion on marginality by shifting the emphasis of the analysis from the relationship between marginality and dependency towards the relationship between marginality and the process of capital accumulation, while developing further some of the valid points that were made by the analysts of the Latin American School of Economic Marginality.

At a more general level, most of the reservations we have about ECLA's, ILO's and the Latin American School of Economic Marginality approach to marginality concern the conceptual framework for analysis and the basic assumptions upon which their analyses have rested.

First of all, a criticism can be levelled against these approaches on the grounds that by employing neo-classical development theory as their conceptual framework, they assume that the only model of development worth considering is the one exemplified by European and North American processes of capitalist development. Within such a framework the current phenomenon of urban productive heterogeneity in LDCs can only constitute a 'disequilibrium' or a 'distortion'

of the traditional model of development, which is considered desirable by some analysts and inevitable by others. Furthermore, the use of traditional development theory inevitably imposes a dualist and residual mode of analysis: with the organization of advanced capitalism as the ultimate goal, the non-capitalist sector of the urban economy recedes into the background as a 'residual sector' waiting to be incorporated into the dominant form of production, e.g. capitalism. Moreover, within this conceptualization of development it is implied that the non-capitalist sector of the economy ought to be and is capable of being 'modernized'. Such an approach to development precludes from the outset the possibility of considering processes of capitalist development which are based simultaneously on both capitalist and non-capitalist forms of production.

Our second major dissatisfaction with the above mentioned approaches to urban development is more specific and concerns the premiss on which they are based; namely, the existence of a dual labour market structure in the urban areas of LDCs. [49] This proposition rests on the following interrelated hypotheses. First, it is useful to dichotomize the labour market into two essentially distinct segments, termed the primary and the secondary sectors. [50] Secondly, the wages are determined by different factors in the primary and secondary sectors. Thirdly, economic mobility between the two sectors is sharply limited. [51] Based on the hypothesis that two distinct labour markets exist which act independently of each other both on the supply and the demand side and, given the assumption that barriers to free labour mobility exist, dualist analyses of urban development suggest that in the capitalist sector of the economy the average level of wages is kept above that which would prevail on the basis of manpower availability. Thus, as regards the question of long-run wage development the dual approach differs from both

neo-classical economic theory and the body of Classical Economics in that it emphasizes rigid market imperfections (i.e. lack of mobility) and/or non-market factors (i.e. unionization of labour, minimum wage, and so on) to explain the existence of long-term wage differentials. [52]

A good example of this view can be found in Mazumdar's description of his dualist concept: "the basic distinction between the two sectors turns on the idea that employment in the formal sector is in some senses protected so that the wage-level and working conditions in the sector are not available, in general to the job seekers in the market, unless they manage to cross the barrier of entry somehow. This kind of protection may arise from the action of trade unions, of government, or both acting together". [53] It is argued that the workers of the capitalist sector as a whole benefit from a number of imperfections created in the labour market by factors such as the existence of a legal minimum wage, the monopolistic structure of capital and the power attained by unionized labour. [54] It is also argued that those differentials stem from the firms operating in the capitalist sector among which the main consideration with regard to labour is the stability of its working force (e.g. low turnover of staff), for which they are willing to pay higher wages. [55] Other additional reasons frequently mentioned by dualist analysts include discrimination against certain groups of the population, differences in human capital, rationing of public jobs and others. [56] However, a major weakness in this argument is that none of the above listed reasons, which could eventually explain the existence of a dual labour market structure, has been seriously tested against the reality of LDCs. Thus, the question is whether the legislation on minimum wage or the power of trade unions <u>really</u> explain inter-sectoral wage-differentials in countries like Colombia or whether they only explain

certain inter-firm differentials within narrowly defined occupations which are on the whole insignificant. By the same token, one could also ask whether employers are <u>really</u> concerned with the stability of their working force as a whole or whether they are only concerned with the stability of a relatively small proportion of skilled workers within their work force.

The essence of what is being suggested by the dualist argument is that the balance of power between labour and capital has been shifted in favour of labour due to the existence of market imperfections which help to maintain the price of labour well above its supply price. Although this hypothesis has been put forward and supported in the case of industrially developed countries such as Italy, where enormous increases in labour productivity have been achieved in the context of rapid technological progress and accelerated economic growth and where a powerful labour movement evidently exists, its formulation in the context of developing economies is highly debatable. With regard to the Italian case, Bruno argues that since 1963 the powers of capital to depress wages have been limited, while not excluding the effects that business cycles and technology have on the level of wages and employment, not only because the working class employed in the core of large and medium industrial firms (primary workers) resisted it successfully, but also because the surplus population (secondary workers) did not compete in the primary market.[57]

However, it is highly questionable that in a country like Colombia - where an unlimited supply of labour exists in actual fact [58] and where trade unions are weak and their actions restricted by the State's direct or indirect sanctioning of repression - the balance of power between labour and capital has been shifted in favour of labour. In fact, if such were the case, the prospects for the capitalist development of countries like Colombia would be even gloomier than

they are in reality. This is because in countries where improvements in labour productivity due to technological progress are only moderate (scale of production is limited by the size of the market), the maintenance of a low level of wages and/or the reduction of real wages [59] (especially in times of slow growth) are important mechanisms for securing the expected mass of profits for capital. Moreover, even a moderate increase in that part of the 'social product' that is given away in the form of wages could easily lead not only to a decrease in the rate of profit but, more importantly, to a decrease in the absolute mass of profits. Whether this would leave the rate of accumulation unaltered, or whether it would lead to a lower level of accumulation, would then depend on the way in which the surplus-value appropriated by the capitalist class is divided between the unproductively consumed portion and the accumulated part. The important point, however, is that for both employers and workers taken as social groups the question of the wage level is not just a question of how the forces of supply and demand equilibriate in the market but the decisive question of distribution of the 'social product' between wages and profits, which brings into sharp conflict the most pressing interests of wage-earners and profit-earners: a decent standard of living on the one hand and maximization of profits on the other. Thus, seen in the light of the distribution of the product between wages and profits, the premises on which the dualist hypothesis is based prove to be too abstract in relation to the less advanced capitalist economies.

Hence, a break with the dual approach on urban development and its main assumptions is the first step to be taken if a better understanding of the social and economic heterogeneity in the urban areas of developing countries is to be sought. Alternatively, we shall assume from the outset that the urban non-capitalist sector of the

Colombian economy constitutes an integral element of a wider totality dominated by the capitalist mode of production. This will allow us not only to examine the form in which the capitalist and non-capitalist sectors of the Colombian economy relate to each other but, more importantly, to explore alternative forms through which the labour force not directly engaged in the capitalist sector as wage-earners are currently contributing to the ongoing process of capital accumulation in Colombia.

More specifically, based on empirical evidence on the Colombian case, we intend to show that those sections of the urban labour force not directly involved in the capitalist sector of the economy as wage-earners are participating in, and actually contributing to, the development of capitalist production and accumulation in Colombia by (i) exerting a downward pressure on the level of wages that are paid by capital to its work force; (ii) supplementing the rather insufficient means of subsistence that are provided by capital in the form of low wages for the maintenance and reproduction of labour; and, (iii) supplying essential goods and services, particularly in those instances where it is either unprofitable or too costly for capital to provide them on the basis of wage-labour.

We shall argue that by competing for jobs in the labour market the workers of the urban non-capitalist sector play a crucial role in maintaining the level of wages at its supply level. In other words, what we are arguing is that in the urban areas of Colombia the reserve army is mainly constituted by the workers engaged in non-capitalist activity and, to a lesser extent, by the open unemployed.[60] Thus, by contrast with the industrially advanced economies, in Colombia the reserve army of labour is mainly supported by their own labour rather than by the earnings of the workers engaged by capital or by an unemployment benefit system: it supports itself in the context of non-capitalist relations of production.[61]

We shall also argue that the funds of maintenance raised through the work of the surplus population outside the capitalist form of production fulfil a crucial role in lowering the participation of wages in the social product to its possible minimum not only because those funds support the reserve army of labour but, more importantly, because they supplement the insufficient means of subsistence which are provided by capital in the form of low wages for the maintenance and reproduction of its work force. Before proceeding further, however, we must clarify what we mean by the maintenance and reproduction of the labour force and explain its relevance for the distribution of the social product.

In any economic system the maintenance and reproduction of labour remains a necessary condition for the reproduction of the system as a whole. Therefore, to ensure the continuity of capitalist production, part of the social product must be assigned as 'necessary product' in the form of wages for the maintenance and reproduction of the labour force, while the remaining part constitutes the 'surplus product'. The latter provides both the means for the private consumption of the capitalist class and the funds for accumulation.

There are, however, definite limits within which the share of wages in the social product must lie. On the one hand, although it is unlikely that the average wage level will fall for very long below the bare physical subsistence standard, this minimum standard may be very low, especially when large reserves of labour exist, e.g. existence of a large urban and rural non-capitalist sector. Under such circumstances the minimum standard may only be sufficient for the bare physical needs of the present, and not for maintaining a normal working life or for rearing a family. The upper limit to wages, on the other hand, is much more difficult to define. For instance, it could be argued that wages can rise by the amount that

capitalists spend in consumption; but if wages were to absorb more than this, they would be taking part of the product which would otherwise have been devoted to replacing and/or enlarging the stock of capital. This possibility could only be envisaged in a situation where the control of all production and investment was taken over by the State. Even so, this does not mean that the share of wages could absorb the whole net product of the economy, unless there were to be no new investment for replacing and expanding the stock of capital. Thus, to the extent that new investment is made, the wage bill can only amount to part of the net product of the economy. In practice, however, the actual limit to any upward movement of wages is obviously lower than this, since part of the surplus product must go to the capitalists for their consumption. In any case, the definition of this limit is much more a matter of politics than of economic theory, since the division of the net product between wages and profits ultimately depends on the class struggle.

Hence, the existence of non-capitalist activity as a complementary source of maintenance for the working class further extends the possibilities for the expansion of the accumulation fund at the expense of wages, without necessarily inflicting damages on the working efficiency of the labour force. Thus, even if the wage level of a large fraction of the working class is already below the minimum required to secure the maintenance and reproduction of the work force, damage to its working efficiency can be avoided to a large extent if part of the cost of maintaining and reproducing the labour force is undertaken by the working class itself, as in the Colombian case. This situation arises particularly in times of slow growth when the lowering of unit wage rates proceeds pari passu along with the attempts of working class families to restore subsistence standards by engaging in non-capitalist activities.

Finally, in the form of a case study, we intend to show that the workers of the urban non-capitalist sector also play a crucial role by performing essential tasks in certain phases of the productive and distributive processes which capital would otherwise have had to provide on the basis of wage-labour at a higher cost or, more importantly, at a loss. With particular reference to Bogotá's food retailing industry, we shall show that, in the context of a low wage economy such as Colombia, the non-capitalist counterpart in the supply of food retailing services complements the operation of capital in the phase of distribution. This enables capital to undertake only those retail operations which are profitable by capitalist standards while leaving the burden of the unprofitable ones to non-capitalist retailers who are prepared to provide the service at the cost of their own labour remuneration. In addition, we shall show that the methods employed in the analysis of capitalist enterprises cannot be applied to the analysis of non-capitalist businesses, a point which is frequently ignored by dualist analysts.

Before examining these three distinct facets of the role played by the workers of the urban non-capitalist sector in the development of capitalist production and accumulation in Colombia, the major features of the process of capitalist development the country has undergone will be described in Chapter II. This will help to place the contemporary urban non-capitalist sector within the wider context of the Colombian economy. We shall argue that the non-capitalist sector of the Colombian economy should be viewed mainly as a by-product of the process of capitalist development, since the form and particular characteristics assumed by that process, especially since the fifties, have acted as the main conditioning factors for the permanence rather than the elimination of certain elements of non-capitalist forms of production in the urban economy of Colombia.

After examining the main features of the Colombian process of capitalist development, we shall proceed in Chapter III to discuss the operational criteria used in this study to distinguish non-capitalist activity from its capitalist counterpart, a distinction which is essential for the empirical analysis that follows in Chapters IV and V.

NOTES. Chapter I

1. On the theory of the dual economy see A. Lewis, "Economic Development with Unlimited Supplies of Labour", The Manchester School, May 1954, pp. 139-191; "Unlimited Labour: Further Notes", ibid, January 1958, pp. 1-32. Lewis's analysis was extended in some respects by G. Ranis and J.C. Fei, "A Theory of Economic Development", American Economic Review, September 1961, pp. 533-565; "Innovation, Capital Accumulation, and Economic Development", ibid, June 1963, pp. 283-313; Development of the Labour Surplus Economy: Theory and Policy, Homewood, 1964. See also among others Dale W. Jorgenson, "The Development of a Dual Economy", Economic Journal, June 1961; "Surplus Agricultural Labour and the Development of a Dual Economy", Oxford Economic Papers, November 1967 and, Lloyd Reynolds, "Economic Development with Surplus Labour: Some Complications", Oxford Economic Papers, March 1969.

2. We use the term 'non-capitalist activity' for lack of a better one. The capitalist/non-capitalist division of the urban economic activity used in this study corresponds to a division based on the character of the economic running of the enterprise. In the context of developing economies, there is the need to differentiate those processes of labour which are not capitalist orientated from the specifically capitalist form of production. However, by insisting that some forms of urban non-capitalist activity exist in the economic structure of Colombia, we wish to do no more than establish the fact that the economy is not of a purely capitalistic type, as found in advanced economies. Additionally, we want to emphasize that in the context of the present study, the term urban non-capitalist activity loses all meaning if separated from its capitalist counterpart, since it does not constitute an economic system in its own right.

3. By contrast with neo-classical economics which sees the source of capital accumulation in the sacrifice of present consumption (i.e. savings), in the context of the present study we shall follow the marxist view which sees the source of accumulation in the production of surplus-value or, in other words, in the making of profits.

4. For a comprehensive review of the literature on urban 'productive heterogeneity' see Caroline O.N. Moser, "Informal Sector or Petty Commodity Production: Dualism or Dependence in Urban Development?" in World Development, Vol.6, No. 9/10, 1978, pp. 1041-1064; Judith Villavicencio, Sector Informal y Población Marginal (mimeo), CLACSO, Santiago, 1976; and Víctor Tokman, "Dinámica del Mercado de Trabajo Urbano: El Sector Informal Urbano en América Latina" in R. Katzman and J.L. Reyna (Eds), Fuerza de Trabajo y Movimientos Laborales en América Latina, El Colegio de México, México, 1979.

5. See Zygmunt Slawinski, "Structural Changes in Employment within the Context of Latin America's Economic Development" ECLA, Economic Bulletin for Latin America, Vol. X, No. 2, October 1965; Marshal Wolf, "Rural Settlement Patterns and Social Change in Latin America: Notes for a Strategy of Rural Development", Economic Bulletin for Latin America, Vol. X, No.1, ECLA, March 1965.

6. Raul Prebish, Change and Development - Latin America's Greatest Task, Praeger Publishers, U.S.A., 1970.

7. See, ECLA, Situación Habitacional, Política y Programas de Vivienda en América Latina, Santiago, July 1964; P.M. Hauser, Urbanization in Latin America, UNESCO, Belgique, 1971; ECLA, El Desarrollo Social en América Latina en la Post-guerra, Ed. Solar, Argentina, 1963; and Guillermo Rosenblüth, Problemas Socio-económicos de la Marginalidad y la Integración Urbana, Santiago, ECLA, January 1966.

8. Raul Prebish, op.cit., 1970.

9. In the Chilean case, the answer to this 'lack of participation' was the programme of "Promoción Popular" proposed by DESAL and used by the Christian Democrats at a political level as an attempt to institutionalize popular movements and their political participation. See, La Marginalidad en América Latina: Un ensayo de Diagnóstico, DESAL, Santiago, 1967; "Marginalidad y Promoción Popular" in Reportaje DESAL, October 1967. A good critique of DESAL's views on marginality is in Jorge Giusti, Organización y Participación Popular en Chile: El Mito del Hombre Marginal, FLACSO, Santiago, August 1973.

10. Keith Hart, "Informal Income Opportunities and Urban Employment in Ghana", Journal of Modern African Studies, Vol. 11, 1973, pp. 61-89.

11. ILO, Employment, Incomes and Equality: A Strategy for Increasing Productive Employment in Kenya, Geneva, 1972.

12. See, J. Weeks, Factors Determining the Growth of Output and Employment in the Labour Intensive Sectors in Poor Countries, (mimeo), 1972 and "Uneven Sectoral Development and the Role of the State", Bulletin of the Institute of Development Studies, Vol. 5, Nos. 2/3, October 1973, pp. 76-82.

13. ILO."Employment. Incomes.....", op.cit., 1972, p.504. The traditional/modern approach considers the traditional sector to be stagnant. See W.A. Lewis, op.cit., 1954.

14. S.V. Sethuraman, "The Urban Informal Sector: Concept, Measurement and Policy", International Labour Review, Vol. 114, No. 1, July-August 1976, p.69.

15. The identification of the informal sector workers with the 'working poor' not only is vague but also misleading, as we shall see later on in this study (Chapter IV).

16. ILO, Generación de Empleo Productivo y Crecimiento Económico: El Caso de La República Dominicana, Geneva, 1975; PREALC, Situación y Perspectivas del Empleo en Ecuador, Santiago, 1975[a]; Servicio Público del Empleo, UNDP and PREALC, Bases para una Política de Empleo hacia el Sector Informal o Marginal Urbano en México, Secretaría de Trabajo y Previsión Social, Mexico, 1975; Sethuraman, Towards a Definition of the Informal Sector, ILO, Geneva, 1974.

17. PREALC, Situación y Perspectivas del Empleo en Paraguay, Santiago, 1975[b]; PREALC, Situación y Perspectivas del Empleo en El Salvador, Santiago, 1975[c]; PREALC, El Problema del Empleo en América Latina: Situación, Perspectivas y Políticas, 1976; and Richard Webb, Income and Employment in the Urban Traditional Sector: The Case of Peru, Princeton, 1974.

18. J. Weeks, "Uneven Sectoral Development and the Role of the State", op.cit., 1973, and, "Policies for expanding Employment in the Informal Urban Sector of Developing Countries", International Labour Review, Vol. 111, 1975.

19. Jan Breman, "Labour Relations in the 'Formal' and 'Informal' Sectors: Report of a Case Study in South Gujarat, India", The Journal of Peasant Studies, Vol.4, 1976-1977; D. Mazumdar, "The Urban Informal Sector", World Development, Vol. 4, No. 8, August 1976, pp. 655-679.

20. ILO, Employment Incomes,....., op.cit., 1972; K. Hart, "Informal Income....", op.cit., 1973; V. Tokman, Dinámica del Mercado de Trabajo Urbano: El Sector Informal Urbano en América Latina, PREALC, Santiago, 1976.

21. Among others, see: K. Hart, "Small Scale Entrepreneurs in Ghana and Development Planning", Journal of Development Studies, Vol.6, No.4., July 1970, pp. 237-248 and "Informal Income....", op.cit., 1973; ILO, Employment, Incomes,...., op.cit., 1972; H.T. Oshima, "Labour Force Explosion and the Labour Intensive Sector in Asian Growth", Economic Development and Cultural Change, Vol. 19, No. 2, January 1971, pp.161-183; S.V. Sethuraman, "Urbanization and Employment: A Case Study of Djakarta", International Labour Review, Vol. 112, Nos. 2/3, August/September 1975, pp. 191-206.

22. Among others, see: J. Weeks, "Uneven Sectoral....", op.cit., 1973; R. Webb, Income and Employment in the Urban Traditional Sector: The Case of Peru, Princeton University, 1974; D. Mazumdar, "The Urban Informal Sector", op.cit., 1976; Harold Lubell, Urban Development and Employment: The Prospects for Calcutta, ILO, Geneva, 1974.

23. Among others, see: M. Bienefeld, "The Informal Sector and Peripheral Capitalism: The Case of Tanzania", Bulletin of the Institute of Development Studies, Vol. 6, No. 3, February 1975, pp. 53-73; C. Gerry, "Petty Production and Capitalist Production in Dakar : The Crisis of the Self-Employed", World Development, Vol. 6, Nos. 9/10, September/October 1978, pp. 1147-1160; A.N. Bose, The Informal Sector in the Calcutta Metropolitan Economy, ILO/WEP Working Paper, Geneva, 1974; P.R. Souza and V.E. Tokman, "The Informal Urban Sector in Latin America", International Labour Review, Vol. 114, No. 3, November/December 1976.

24. ILO, "Employment, Incomes,...." op.cit., 1972.

25. See, R. Webb, "Ingreso y Empleo en el sector Tradicional Urbano del Perú", in R. Cardona (Ed.), América Latina: Distribución Espacial de la Población, Corporación Centro Regional de Población (CCRP), Bogotá, 1975 and D. Mazumdar, "The Urban Informal Sector", op.cit., 1976.

26. C. Gerry, Petty Producers and the Urban Economy: A Case Study of Dakar, WEP Urbanization and Employment Programme, Working Paper No. 8, ILO, Geneva, 1974.

27. O. Marulanda, El Sector Informal en la Economía Urbana de Bogotá D.E., OFISEL, Bogotá, 1976.

28. A.N. Bose, The Informal Sector in the Calcutta Metropolitan Economy, ILO/WEP Working Paper, Geneva, 1974; C. Gerry, "Petty Production..", op.cit., 1978; and M. Bienefeld and M. Godfrey, "Measuring Unemployment and the Informal Sector: Some Conceptual and Statistical Problems", Bulletin of the Institute of Development Studies, Vol. 7, No. 3, 1975.

29. C. Leys, "Interpreting African Underdevelopment: Reflections on the ILO Report on Employment, Incomes and Equality in Kenya", African Affairs, Vol. 72, 1973, pp. 419-429; M. Bienefeld and M. Godfrey, "Measuring....", op.cit., 1975; and C. Gerry, "Petty Production...", op.cit., 1978.

30. C. Gerry, "Petty Production...", ibid., 1978, p. 1158.

31. K. Hart, "Informal Income....", op.cit., 1973.

32. S.V. Sethuraman, "The Urban Informal....", op.cit., 1976.

33. For the distinction between 'benign' and 'exploitative' relationships, see M. Bienefeld and M. Godfrey, "Measuring Unemployment and the Informal Sector: Some Conceptual and Statistical Problems", Bulletin of the Institute of Development Studies, Vol. 7, No. 3, 1975, p. 8.

34. ILO, Employment, Incomes...., op.cit., 1972; J. Weeks. "Uneven Sectoral....", op.cit., 1973 and "Policies for...", op.cit., 1975.

35. M. Bienefeld, "The Informal Sector....", op.cit., 1975, and C. Gerry, "Petty Production....", op.cit., 1978.

36. The majority of these studies were sponsored by the ILO/WEP Programme.

37. For a definition of 'evolutionary' and 'involutionary' growth see J. Weeks, "Uneven Sectoral....", op.cit., 1973, pp. 80-81.

38. For a criticism of ILO's views on development, see C. Leys, "Interpreting African Underdevelopment: Reflections on the ILO Report on Employment, Incomes and Equality in Kenya", African Affairs, Vol. 72, October, 1973, p. 424.

39. A. Quijano Obregón, Notas sobre el Concepto de Marginalidad Social, ECLA, Santiago, September, 1968; Redefinición de la Dependencia y el Proceso de Marginalización en América Latina, ECLA, Santiago, April 1970; Dependencia, Cambio Social y Urbanización en América Latina, ECLA, Santiago, November 1970; and "The 'Marginal Pole' and the Marginal Labour Force", Economy and Society, Vol. 3, No.4, 1974; José Nun, Juan Carlos Marín and Miguel Murmis, La Marginalidad en América Latina, ILPES-DESAL, Santiago, May 1967; José Nun, "Superpoblación Relativa, Ejército de Reserva y Masa Marginal", Revista Latinoamericana de Sociología, No. 2, 1969, pp. 138-236.

40. For Nun the source of marginality is the 'excess reserve army' in the monopolistic stage of capitalism, whereas for Quijano it appears as the new functions assumed by the pre-capitalist relations of production inside the social formation particular to dependent countries.

41. Nun arrived at the notion of 'excess surplus population' (or what he calls an 'overpopulation' or marginal mass) by arguing that the limits of the 'adequate population' fix, at the same time, the limits of the surplus population, since the base that determines both is the same, i.e. accumulation. See J. Nun, "Superpoblación Relativa....", op.cit., 1969, p. 181, and passim.

42. Nun saw the 'marginal mass' as a new category which expresses the a-functionality or dysfunctionality of the relationships that are established between the surplus population and the system as a whole, in the monopolistic stage of capitalism. For a criticism of this point, see F.H. Cardoso, "Comentário sobre os Conceitos de Superpopulação Relativa e Marginalidade", Chapter VIII of his book O Modelo Político Brasileiro, Difusão Europe a do Livro, São Paulo, 1973.

43. According to Quijano, one of the consequences of the marginalization process is that the results of development do not overflow into the whole, except for a small degree, See A. Quijano, "The Marginal Pole....", op.cit., 1974, pp.421-428.

44. This conclusion has been severely criticized by analysts such as Oliveira, Kowarick and Faria (See note 48 below).

45. Implicit in the analyses of both Nun and Quijano, is the idea that the phenomenon of urban productive heterogeneity in Latin America would have been spared if the process of development in those countries had been 'autonomous' rather than 'dependent'.

46. See F.H. Cardoso, "Comentário sobre os Conceitos de Superpopulação Relativa e Marginalidade", op.cit., 1973, and Alan Middleton, The Marginalized Labour Force, The Reserve Army and the Relative Surplus Population Revisited: A Comment on Anibal Quijano, Institute of Latin American Studies (ILAS), University of Glasgow, Occasional Papers, No. 31, 1980.

47. Miguel Murmis, "Notas sobre el Concepto de Marginalidad", Revista Latinoamericana de Sociología, Vol. 5, No. 2, 1969, p. 416.

48. See F. de Oliveira, "La Economía Brasileña: Crítica de la Razón Dualista", El Trimestre Económico, Vol. XL, No. 2, 1973; Lucio Kowarick, "Capitalismo, Dependencia e Marginalidade Urbana na América Latina: Uma Contribução Teórica", Estudos CEBRAP, No. 8, April-June 1974, pp. 77-96; Capitalism and Urban Marginality in Brazil, CEBRAP, São Paulo, 1975; and The Logic of Disorder: Capitalist Expansion and the Metropolitan Areas of Greater São Paulo, CEBRAP, São Paulo, 1976; Vilmar Faria "Pobreza Urbana, Sistema Urbano e Marginalidade (Críticas, Sugestões e um Projeto de Pesquisa)", Estudos CEBRAP, No. 9, July-September 1974, pp. 129-151.

49. The dual theory of the labour market emerged in the mid-sixties as an attempt to solve some theoretical problems that the existence of a 'chronic imbalance' in the urban labour market posed to the neo-classical theory of labour markets with regard to its basic 'competitive' assumptions. This theory is developed in Michael J. Piore, "On-the-Job Training in a Dual Labour Market" in A.R. Weber, et.al. (Eds.), Public-Private Manpower Policies, Industrial Relations Research Association, Madison, Wisconsin, 1969; "Manpower Policy" in S. Beer et.al. (Eds.), The State and the Poor, Winthrop Publishing Co., Boston, 1970; "The Dual Labour Market: Theory and Implications" in D.M. Gordon (Ed.), Problems in Political Economy: An Urban Perspective, Lexington Books, Lexington, Mass., 1971 and, "Notes for a Theory of Labour Market Stratification" in R.C. Edwards, M. Reich and D.M. Gordon (Eds.), Labour Market Segmentation, D.C. Heath & Co., Lexington, Mass., 1975. For a good review of the literature that supports this view, see D.M. Gordon, Theories of Poverty and Underemployment, Lexington Books, Lexington, Mass., 1972.

50. In the context of this theory, the primary sector is associated with that group of firms which offer high wages, good working conditions, employment stability and good chances of promotion. The secondary sector, on the other hand, is associated with firms that, compare to those in the primary sector, offer low wages, poor working conditions, no job security and little chance of promotion. See, M.J. Piore, "Notes for a Theory of Labour Market Stratification", op.cit., 1975, pp. 126-134 and P.B. Doeringer and M.J.Piore, Internal Labour Markets and Manpower Analysis, Lexington Books, Lexington, Mass., 1971, Chapter 8.

51. John T. Addison and W. Stanley Sichert, The Market for Labour: An Analytical Treatment, Goodyear Publishing Company, Santa Monica, California, 1979, p. 44.

52. Although the main preoccupation of neo-classical economic theory is with static equilibria, its competitive solution recognizes that, with the rise of productivity, wages will also rise. Furthermore, differences in weekly earnings are consistent with competitive labour markets if they correspond to differences in productivity. By means of the concept of 'efficiency earnings', Marshall argued that competition does not tend to equalize the hourly or weekly money wages of individuals in the same occupation, but rather tends to equalize their earnings per unit of work performed (Alfred Marshall, Principles of Economics, Macmillan and Co., London, 1930, pp. 546-549). On the other hand, we have the Subsistence Theory of Wages outlined by the Physiocrats and developed by Adam Smith and later writers of the Classical School. The essence of this theory is that, in the long run, wages would tend towards the sum which is necessary to maintain a worker and his family at a subsistence level. This rather simple theory was based in the Malthusian Law of Population which assumes that every increase in wages above the subsistence minimum would at once induce workers to have larger families. The consequent increase in the supply of labour would then bring wages back to the old level. Conversely, a wage level that fell below the subsistence minimum would mean starvation, increased infantile mortality, postponed marriages, all resulting in a reduced supply of labour which would ultimately lead to an increase in wages. It was, therefore, assumed that the long-run supply of labour possesses perfect elasticity and that changes in the demand could have no permanent influence on the wage level. However, in view of later developments, the validity of this theory seemed not only doubtful but contrary to

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the facts of nineteenth century Europe, especially as regards the assumption that population will automatically increase as wages rise. It must be mentioned, however, that, quite apart from the long-term population movements, the depressing effects on wages of the superior bargaining power of the masters was recognized by Adam Smith and that the meaning of 'subsistence minimum' had been revised by Torrens, and later Ricardo, to include 'customary' standards, when Marx supplemented the subsistence theory by making it independent of any specific assumption about population growth. He showed that capitalism would always create conditions that would have a depressing influence on wages, tending to keep them at a low level, though not necessarily at the subsistence level. He argued that in the course of development a free, capitalist system creates its own surplus population. In Marx' words: "The working population therefore produces both the accumulatinn of capital and the means by which it is itself made relatively superfluous.... This is a law of population peculiar to the capitalist mode of production; and in fact every particular historical mode of production has its own special laws of population, which are historically valid within that particular sphere". (K. Marx, Capital, Vol. I, The Pelican Marx Library, Penguin Books, Harmondsworth, Middlesex, England, 1976, pp. 783-784). Thus capitalism creates an industrial reserve army which will have a depressing effect on wages, not only in the long run but also in the short run, by weakening the bargaining strength of the workers. However, this does not mean that as accumulation proceeds in an expanded scale real wages would not increase. Marx showed that higher money wages would lead to a diversion of production from luxury-goods to wage-goods accompanied by changes in the composition of capital which increase productivity and result in higher real wages. However, he also argued that "the rise of wages is confined within limits that not only leave intact the foundations of the capitalist system, but also secure its reproduction on an increasing scale". (K. Marx, Capital, ibid, p. 771).

53. D. Mazumdar, "The Urban Informal Sector", World Development, Vol. 4, 1976, p. 655.

54. Within the institutional explanation it is argued that the legislation on minimum wage and trade union action compel employers to employ workers at a certain standard rate which is well above the supply price of labour.

55. In reality, however, the willingness to pay higher wages is combined with the ability to pay which, in turn, is associated with high levels of capital-intensiveness that reduce the share of wages in total income.

56. For a complete review of the factors that introduce imperfections into the labour market, see Víctor E. Tokman, "Dinámica del Mercado de Trabajo Urbano: El Sector Informal Urbano en América Latina", op.cit., 1976, pp. 84-86.

57. Sergio Bruno "The Industrial Reserve Army, Segmentation and the Italian Labour Market", Cambridge Journal of Economics, Vol. 3, 1979, p. 131.

58. It is important to draw a distinction between the existence of an unlimited labour supply in theory and that which exists in actual fact. An example of the first kind is to be found in Lewis's model which refers to the unlimited possibilities in the area of labour supply, represented by the subsistence sector of agriculture. But once the disintegration of the peasant community is well advanced and the rural-urban migration process becomes a reality, the theoretically unlimited supply of labour turns into an actual supply of labour willing to sell its labour for a wage and actually competing in the labour market. See Witold Kula, An Economic Theory of the Feudal System, Foundations of History Library, NLB, London, 1976, p. 22.

59. By 'real wage' we understand this to mean the actual physical amount of a given commodity or group of commodities a worker can buy. Thus, if the real wage increases by 100 per cent, the workers would be able to buy twice as much as they could previously.

60. The industrial reserve army is a marxist concept that explains the relationship between capitalist accumulation and the creation of a relatively redundant working population, i.e. surplus population in relation to capital's average requirements for valorization. By means of the concept of industrial reserve army, Marx was able to explain the general movement of wages in terms of the varying proportions in which the working class is divided into an active army and a reserve army, rather than by variations in the absolute numbers of the working population. See, K. Marx, Capital, Vol. 1, Chapter 25, Penguin Books, 1976, pp. 781-796.

61. Social Security Systems and Unemployment Benefit Systems are financed out of the labourers' wages, although the sums of money do not pass through the workers' pay packets, but are transferred directly from the capitalist accounts to specific institutions, e.g. National Institute of Unemployment Insurance, National Institute of Social Security and the like.

CHAPTER II

CAPITALIST DEVELOPMENT IN COLOMBIA AND THE NON-CAPITALIST SECTOR OF THE URBAN ECONOMY

The rapid urbanization process, due mainly to rural-urban migration, and the incapacity of the capitalist sector to absorb the growing labour force at the same pace, are recognized by most analysts on urban development as the main causes for the existence of a dual economy in the urban areas of LDCs, although, with the exception of the analysts of the Latin American School of Economic Marginality, very little effort has been devoted to explain the genesis of this situation. Instead, most analysts see these processes as independent phenomena on the demand and the supply side, caused by a lack of development rather than by development itself. Thus, most analysts do not see the problem developing within a process dominated by the advancement of capitalist production and accumulation, but instead blame high rates of population growth, the decision of individuals to migrate or the wrong choice of technology by individual capitalists as the main causes for the excess in the labour supply in LDCs. Moreover, some analysts do not even bother with the question at all, by taking the situation as given and assuming that the existence of a large non-capitalist sector in the urban areas of LDCs is just another characteristic of underdevelopment which eventually will be corrected in the course of development.

The intention of this Chapter is to advance the analysis of these apparently independent causes on the supply and the demand side a little further, and to try to relate them to the process of capitalist development in Colombia. It shall be argued that the existence of a large non-capitalist sector in the urban economy of Colombia is

intimately related to the development of capitalist production and accumulation and, therefore, must be seen as an inseparable aspect of the Colombian process of development, particularly in its industrial phase. It is not intended to carry out a comprehensive analysis of Colombia's development process. However, those features of the Colombian process of capitalist development which not only explain the presence of non-capitalist activity in the urban areas but which, also, are significantly related to the main arguments of this thesis, will be identified herein. Before considering those features of Colombia's post-fifties agricultural and industrial development which help to explain the rapid expansion of the non-capitalist sector in the urban areas, it will be useful to look briefly at some of the late nineteenth and earlier twentieth Century developments which, from the outset, have conditioned and shaped Colombia's process of capitalist development.

In Colombia, the source of accumulation for the development of the urban industrial sector was provided by the development of the export sector.[1] Conditioned by a process of land and trade monopoly, which had begun to gain momentum with the liberal reforms of the 1850s, the Colombian economy began to make its way in the world market through the export of tobacco. Although tobacco cultivation was limited to soils with special characteristics which were mostly found in the area of volcanic soils around Ambalema, the expansion of tobacco cultivation was to have extremely important repercussions in the years to come. Firstly, the incentives brought about by the prospects of lucrative European markets not only induced landowners into expanding production in their estates, at that point chiefly tobacco, coffee and cattle raising, but more importantly brought about a change in the pattern of landownership, when the Bogotá merchants descended the mountain slopes and appropriated the necessary land for the cultivation

of export crops.[2] Secondly, in contrast to the traditional export products, tobacco was greatly demanding of labour-power, particularly during the harvest season. Traditionally, the haciendas had obtained their permanent labour through a system of labour tenantry known as aparcería (share-cropping), but with the expansion of tobacco cultivation, seasonal labourers began to be recruited from the families of independent small-holders and villages, thus initiating a population movement into the Magdalena Valley.[3] The growing seasonal demands for labour in the estates thus led to the emergence of wages as a widespread form of remuneration during the harvest. In fact, the seasonal labourer could be considered as the earliest type of semi-proletarian to appear on any noticeable scale in Colombia. Thirdly, the emergence of wage remuneration led in turn to the development of commerce and to the establishment of local artisanship, particularly in the department of Santander.

The export economy, however, was extremely vulnerable during this period due to the large (and at points erratic) oscillations in the quantity demanded and price fetched by Colombia's export products. In fact, the country's export earnings varied greatly in the thirty years that elapsed between 1850 and 1880,[4] and this hampered the prospects of sustained economic growth. It is maintained that this was one of the main reasons why the landowners-merchants were not particularly keen on re-investing their profits, a large part of which seemed to have been spent in luxurious and unproductive consumption. Moreover, during the mid-1870s the country's export economy suffered a major set-back when new competition from the Dutch plantations in Java drove Colombian leaf tobacco out of the European market. This, in combination with the import boom created by the close links between tobacco producers and the merchant importers, generated acute problems in the balance of payments.[5] While local commercial activities and

household industries were severely affected by the crisis of Colombian exports and the Civil War of 1876, cash shortages led to an unprecedented expansion of credit which up to then had been chiefly supplied by the large mercantile houses. Legislation was passed to regulate money lending operations and a formal banking system was established, particularly in Antioquia and Cundinamarca.[6] These institutions concentrated even further the available capital, with the result that credit for commercial activities increased, while that for agricultural activities decreased.

The decline of tobacco as the main product for export was soon followed by the development of a new export commodity, coffee, which was to have a far greater and long-standing effect on the shaping of modern Colombia. Firstly, it led to a rapid accumulation of capital, a main precondition for the emergence of modern manufacturing industry. Secondly, it contributed to the rise of the landowning-merchant class as the backbone of the modern industrialist class. Thirdly, it accelerated considerably the formation of a class of rural and semi-urban proletarians who were partially or wholly dispossessed of their traditional means of subsistence, i.e. land.

As opposed to tobacco, coffee was well suited for cultivation in the largely mountainous terrains of Colombia and as the international price of coffee rose towards the late 19th century, the landowning-merchants were quick in moving towards the setting-up of coffee haciendas,[7] laying the basis for the development of the product which during the first three decades of the present Century was to provide the necessary accumulation of capital for the development of modern manufacturing in Colombia.[8]

Coffee production grew rapidly in the 1890s, especially in the area of the Santanderes, Cundinamarca-Boyacá and Tolima, and again in

the decade 1905-14, especially in Antioquia and Caldas. Further growth in production in the 1920s occurred largely in the Quindío region. Although all the various forms in which coffee production was organized can be found in each of these major coffee regions of the country, each region can be identified with one form of organization in particular. While in the Santanderes the coffee hacienda organized on the basis of the aparcería system predominated, in Cundinamarca and Boyacá the coffee hacienda was predominatly organized on the basis of the arrendatario system - workers were allowed to live and cultivate a plot of land in return for their obligatory labour on the coffee plantation. In Antioquia, by contrast, large coffee haciendas, organized on the basis of the agreagado system - where workers were allowed to cultivate a patch of land as part of their wages - co-existed with a system of small and medium family holdings.

However, despite all these differences in the form of organization of coffee production, all these regions share one thing in common. That is, the conversion of the town merchants into latifundistas and estate-owners. In all these regions, the owners of the coffee estates came from the merchant classes based in Cúcuta, San Gil, Bucaramanga, Bogotá and Medellín, while the number of 'traditional' latifundistas becoming owners of large coffee estates was very small. As Palacios rightly argues, this is a point which must be kept in mind if one is to understand why the appearance on a massive scale of small and medium producers in Antioquia and Quindío during the first two decades of the 20th century confronted the 'hacienda system', but not the coffee bourgeoisie. [9]

The collapse of the hacienda methods of labour recruitment brought about by the peasant revolts that started in the 1920s, [10] coupled with the dependence on a vast seasonal labour force which had to be recruited at harvest time, marked the end of the hacienda system of coffee

cultivation in the central and eastern parts of the country. By contrast, in Antioquia and Caldas, where labour mobility was greater due to the fact that the peasantry in that region had never been tied to the haciendas in the backward ways it was in the other parts of the country (e.g. aparcería, arrendatario), the dependence on seasonal labour did not become a problem and, in many instances, it was solved through co-operation between the families of small and medium holders.

Although this does not mean that all the coffee haciendas disappeared, or that the landowners did not continue to invest in the cultivation of coffee, the point is that the core of the coffee bourgeoisie - the hacendado-exporter - survived the collapse of the hacienda system of coffee cultivation by simply shifting his operations from production to commerce, gaining control of the internal coffee market. Thus, the marketing of coffee became separated from its production, and the purchasing and processing of coffee for export became more concentrated and fell under the financial control of the commercial houses.

The division of labour and manufacturing process involved in the threshing of coffee, on the other hand, encouraged the landowning-merchants to become industrialists. [11] Following the industrial transformation of part of the production process of coffee, these same merchants engaged themselves in the manufacturing of basic consumer goods for which there was a readily available market. Thus, with capital accumulated from the exports of coffee, the landowning-merchants made their way into industry, linking the emergence of industry with the export economy and the process of concentration of land. [12] These links were not only the basis for industrial development, but also the determining factor of its specific course. On the supply side, the high concentration of land ownership in areas where export products could be grown, together with the control of trade by a relatively

small group of landowning-merchants, contributed towards the early process of concentration of capital in Colombia. On the demand side, the unequal distribution of wealth and income [13] restricted, from the outset, the possibilities of growth of the internal market.

The process of concentration of land that started in the 1850s, in turn, largely contributed to the creation of a landless population in the countryside. Although for some time the existence of a landless population in the rural areas was hidden under the arrendatario system of the hacienda in the production of export crops such as coffee, [14] its existence became evident when the process of rural-urban migration intensified in the 1920s.[15] This particular stage in the Colombian rural-urban migration process is closely related to both the peasant revolts that started in the 1920s, during which a large proportion of the peasantry broke its obligations with the landlords and started to leave the land, and to the source of accumulation provided by the influx of foreign money in the early part of the present century: loans of the international money market [16] and the money received as compensation for the Panama Railway (U.S.$25 millions). [17] The massive public works programme started by the government with this money created a massive demand for wage labour outside agriculture, and at the same time provided useful infrastructure for the future development of industry. [18] As a result of the public works programme of the government, a large part of the landless population was attracted away from the countryside and an urban market for agricultural crops and industrial goods started to develop.

The changes in economic conditions brought about by the peasant movement and the public works programme were crucial to the future development of the Colombian economy in a two-fold sense. On the one hand, it meant that the landless peasant no longer had to depend exclusively on the large landowner and, more importantly, he could

migrate and become a wage-labourer in construction, industry or public works. In fact, so many peasants migrated to the cities during the 1920s that the agricultural produce marketed decreased in absolute terms while food imports increased.[19] On the other hand, the increased mobility of the peasantry that resulted from the peasant movement that began in the 1920s and culminated with the land reform of 1936, which required landlords to pay tenants for investments they made while renting the land, laid the basis for the future transformation of the hacienda system, since the landlords no longer were succeeding in retaining the peasantry through the traditional system of obligations.[20] In fact, faced with a deficient labour supply, the landlords decided to change the contracts of their tenants. To guarantee the availability of labour during the period of harvest, growers began to insist that their tenants could not grow coffee in their own plots, an issue which led to serious conflicts between the landlords and the tenants, and to the organization of rural workers in some areas into peasant leagues to demand more favourable contracts. It must be emphasized, however, that although some haciendas started their capitalistic transformation during the 1940s, it was only towards the end of the 1947-1957 Civil War, known as La Violencia, that the process accelerated.

Even though the government's public works programme lost its drive with the collapse of the international market in 1929 and a great part of the public sector workers saw themselves redundant (some returning to the countryside), the migration towards the cities, where the government continued to invest in basic social capital, such as transport and public works at local level, this time financed with internal resources, did not stop. However, due to the restrictions that had to be imposed on the imports of capital goods and other products[21] as a result of the deterioration of the international

coffee prices (even though the quantum of exports was maintained the import capacity was halved), the rate of economic growth descended from 5.2 per cent in the period 1925-1929 to 1.4 per cent in the period 1930-1944 and, with it, the demand for labour.

The excess in the urban supply of labour, however, was beneficial to the development and growth of the branches of industry which already existed before 1930, namely, textiles, food and beverages, tobacco and cement, in so far as wages were kept at low levels.[22] This and the protectionist measures that were adopted in 1931 (Ley 62 of 1931), which gave the government the power of setting trade barriers and increasing tariffs on those goods that could be produced nationally, contributed towards the rapid growth experienced by those branches of industry during the 1930s and 1940s. In principle, these measures were not taken as part of a deliberate policy for promoting the development of industrial production, but only as a measure of emergency to protect levels of production and employment and save foreign exchange in reply to the international crisis. In practice, however, they promoted the development of industry and once the crisis was over they were not abolished, even though it was not until after 1945 that these different actions began to conform to a deliberate policy of import substitution. The road for the intervention of the State in the running of the economy was certainly opened by the emergency measures of 1931 and their institutionalization in the constitutional reforms of 1936 and 1945.[23]

Thus, the fall in export earnings and foreign investment that began in 1929 and lasted until the end of the Second World War did not really harm industrial growth in Colombia but, on the contrary, stimulated it. This was not only because the vacuum left by the drop in imports that followed the fall in export earnings started to

be filled by local industry, but also because the crisis led the government to take a series of measures geared at protecting the internal levels of output and employment against the recession. Based on this set of circumstances, the branches of industry that existed before 1930 were able to expand production without major new investments. In fact, this period in the expansion of Colombian industry was not characterized by diversification of production, but by a better utilization of capacity brought about by the severe restrictions imposed during the early 1930s on the imports of capital goods. Thus, during the period 1929-1944, the expansion of industrial output was achieved mostly through substantial increases in both the productivity of labour and the output/capital ratio.[24] This trend in the expansion of industry was further reinforced during the Second World War and the first years of the post-war period, when imports from the developed world became scarce and the export earnings started to rise again.

It is worth pointing out that even though the highly concentrated distribution of wealth and income has always restricted the size of the internal market in Colombia, the 20 years that elapsed between 1930 and 1950 were ones in which the market for the branches of industry producing basic consumer goods showed a very fast development. Up to the 1950s, the expansion of the market for internally produced manufactured goods rested mainly on two factors: (i) on the already established internal market supplied by imports and (ii) on the expansion of consumption of manufactured goods, especially in the urban areas during the post-war years.[25] Towards 1953, however, the market began to reach its saturation point and these branches of industry started to lose their dynamism for growing. It is argued that the low level of wages in the economy, coupled with the rapid increase in the prices of foodstuffs experienced during the

period 1947-53, affected the growth of the demand for basic consumer goods in such a way that the prospects of industry to expand production along those lines came to an end and, with it, the possibility of adopting mass production methods.[26] Instead, Colombia's industrial development entered a phase of industrial diversification based on the policy of import substitution.[27]

Thus, the significance of the period 1930-1950 lies in the radical changes that occurred in the pattern of development rather than in the growth achieved by the economy (1.4 per cent). Up to the 1920s, Colombia, like most Latin American economies, was characterized by her 'outward-oriented development'.[28] With the bulk of the country's economic activity oriented towards exports, mainly coffee, bananas, gold, platinum and oil, the dynamism of accumulation was highly dependent on the exterior. However, with the collapse of the international markets in 1929, this dependency started to be overcome as the Colombian economy began to move towards 'inward-oriented development' based on the expansion of industry. Although this shift was not completed until the 1950s when the policy of import substitution finally displaced the export activity as the dynamic force of capital accumulation - initiating a process towards the 'internalization of accumulation patterns',[29] the changes that occurred during the 1920s, 1930s and 1940s were crucial determinants in that process. As we saw already, during those decades the basis for the post-fifties capitalist development of Colombia was laid. With the peasant movement and the government's public works programme the obstacles to the mobility of labour started to be overcome, thereby helping to expand the market for labour and the internal market for basic consumer goods and agricultural crops. Limitations on import capacity led to the promotion of industry by the government, through the emergency measures of 1931 and the establishment

of the Institute of Industrial Development (IFI) in 1941, a trend which was further reinforced during the 1950s and 1960s through a deliberate policy of import substitution and specific monetary, fiscal, trade and foreign exchange policies aimed directly at the protection of industrial activity and its development. [30] This change in the pattern of development was accompanied by rapid urban growth as the bulk of economic activity started to be concentrated in the urban centres of the country.

With the dynamism of accumulation centred on the substitution of imports, both the size of the domestic market and the availability of foreign exchange became decisive factors in determining the volume and speed of capital accumulation. However, the backward systems of production in the agricultural sector and particularly the hacienda system, threatened at the beginning the process of industrialization, but since the 1950s they started to be transformed. In the early 1950s, it was realized that the capitalistic transformation of the agricultural sector could not be postponed any longer, if the growing demand of the industrialization process for raw materials was to be met. [31]

With the help of massive credits and investment, the domestic production of agricultural raw materials showed a noticeable increase with the introduction of commercial agriculture on a large scale, employing modern technology. [32] In fact, the proportion of agricultural production that was destined for industrial consumption increaased its share from 5.3 per cent in 1950 to 12.4 per cent in 1960 and to 16 per cent in 1970, whilst the share of agricultural production for direct consumption decreased from 57.6 per cent to 48.3 per cent over that period. [33] This allowed for a relative decrease in the industrial sector's import of raw materials which

had positive effects on both the costs of production and the availability of foreign exchange. [34]

A significant effect of the orientation given to agricultural development during the 1950s was the widening of the gap between commercial and peasant agriculture. Between 1950 and 1972, the average annual rate of growth of the former was 8.2 per cent, five times more than the rate of growth of the latter. [35] Moreover, the share in the value of total production of commercial agriculture increased from 8.9 per cent in 1950 to 28.1 per cent in 1971, whilst peasant agriculture's share fell from 26 per cent to 22.1 per cent. [36] Similarly, in terms of cultivable area, commercial agriculture increased its share from 12.2 per cent to 29.9 per cent while peasant agriculture's share decreased from 35.1 per cent to 30 per cent. It is important to emphasize, however, that the consolidation of the large estates in the agricultural sector was due mostly to the expansion of the agricultural frontier and not to the absorption of small-holdings by the large ones. [37]

The growing differentiation between the two types of agriculture can be mainly attributed to the following two reasons. Firstly, unequal technological development allowed for increases in the yield per hectare of commercial agriculture confined mainly to large estates. This was in contrast to peasant agriculture where the level of technology remained almost the same. Secondly, an internal differentiation of the sector occurred by which certain products were in a better position according to the type of articulation established with the market: commercial agriculture relied on external or domestic markets in expansion, while peasant agriculture depended upon domestic fragmented markets.

On the other hand, the survival of peasant agriculture in

Colombia is largely explained by the fact that its links with the market economy were strengthened as a result of the new role given to it in the overall process of development. The peasant economy started to provide wage goods, generating the conditions for a relative reduction in the prices of foodstuffs, due primarily to the characteristics of its internal structure of production: intensive exploitation of the soil and super-exploitation of its own labour. This, however, did not counterbalance in any significant way the influence that agricultural modernization and the natural growth of population, in combination with stagnation and fragmentation of holdings, had on furthering the process of the break-up of the peasant community during the 1950s and 1960s. During this period, large numbers of landless peasants migrated to the urban areas seeking work opportunities even though a significant number of them were also attracted to commercial agriculture as wage labourers. [38]

A further factor for the explanation of high migration rates during this period is the incidence of a crucial period in Colombian history known as La Violencia which lasted from 1948 until the early sixties as a result of a political conflict between the liberal and conservative parties. [39] During this period at least two hundred thousand lives were lost, [40] mainly in the rural areas, and its impact on the rural-urban migration process became noticeable. [41] According to Nelson et.al., one death by violence is associated with a net out-migration of approximately forty persons from the immediate rural area. [42] According to these estimates, if the average incident of violent deaths had been nil, rather than the figure recorded of 8.7 per 10.000, the associated overall migration rate would have been, ceteris paribus, 13 per cent lower, or reduced from 2.25 to 1.95 per cent per year. [43]

The impetus of the migration process during the 1950s and 1960s is clearly reflected by the fact that one third of the Colombian rural population under the age of forty that lived outside the cabeceras in 1951, had left these areas by 1964. Moreover, as can be observed in Table 1 overleaf, between 1951 and 1973 the rural population grew at 1.2 per cent per annum while the urban population was growing at more than 5.2 per cent per annum, due to the large outflow of migrants from the rural areas. The average rate of population growth in the three major cities of the country, (Bogotá, Cali and Medellín) was 6.0 per cent per annum during the same period.

The ILO report on Colombia offers a very good summary on the migratory flow in Colombia when it states that: "Already in the early thirties considerable social unrest manifested itself in the countryside (owing to the combination of population pressure and a high concentration of land property) and led to the beginnings of rural exodus, greatly intensified by the rural violence of the late forties and fifties. Pressure on the land, rural-urban and regional economic social differences persisted, and hence the rural-urban migratory movement continued even after the wave of violence had subsided. Although existing studies do not permit us [the ILO] to draw conclusions of great exactitude, the overall spatial mobility of the population seems to be increasing." [44, 45]

Urban migration, however, was not accompanied by a comparable growth in employment opportunities. Around 1958 the possibilities of expanding the market for consumer goods became very poor. This was attributed to the saturation of the pre-established demand, which before was supplied with imports, and the limited possibilities of creating additional demand given the characteristics of the process of technological absorption as will be seen later. At this stage, although it is traditionally argued that the tendencies towards

Table 1: Population Growth in the Major Cities of Colombia between Censuses, 1938 - 1973

City by size in 1973	Census Population Total (thousands)				Annual Average Rate of Growth 1/ (per cent)				
	1938	1951	1964	1973	1938-51	1951-64	1964-73	1951-73	1938-73
Bogotá D.E.	356	715	1697	2855	5.5	6.9	6.0	6.5	6.1
Medellín	168	358	773	1100	6.0	6.1	4.0	5.2	5.5
Cali	102	284	638	923	8.2	6.4	4.2	5.5	6.5
Barranquilla	152	280	498	727	4.8	4.5	4.3	4.4	4.6
Cartagena	85	129	242	313	3.3	5.0	2.9	4.1	3.8
Bucaramanga	51	112	230	298	6.2	5.7	2.9	4.5	5.2
Cúcuta	57	95	175	270	4.0	4.8	4.9	4.9	4.5
Manizales	86	126	222	231	3.0	4.4	4.4	2.8	2.9
Pereira	60	115	188	211	5.1	3.8	1.3	2.8	3.7
Ibagué	61	99	164	205	3.8	4.0	2.5	3.4	3.5
Palmira	41	81	141	181	5.4	4.4	2.8	3.7	4.3
Pasto	50	81	113	150	3.8	2.6	3.2	2.8	3.2
Montería	64	77	126	149	1.4	3.9	1.9	3.0	2.4
Armenia	51	78	137	146	3.3	4.4	7.1	2.9	3.0
Santa Marta	33	47	104	126	2.7	6.3	2.1	4.6	3.9
Ciénaga	47	57	113	121	1.5	5.4	7.6	3.5	2.7
Urban Popul	2692	4442	9093	13410	3.9	5.7	4.4	5.2	4.7
Rural Popul.	6010	7106	8392	9142	1.3	1.3	1.0	1.2	1.2
Total Popul.	8702	11548	17485	22552	2.2	3.2	2.9	3.1	2.7

1/ The following formula has been used to calculate the annual average rate of population growth:

$$r_{y_o-y_n} = \sqrt[t]{\frac{P_n}{P_o}} - 1 \quad \text{(Geometrical Form)}$$

where, y_o is the initial year; y_n is the final year; t is the number of years between y_o and y_n; P_o is the population in y_o; and, P_n is the population in y_n.

Source: Calculations by the author based on census data contained in DANE, Boletín Mensual de Estadística, No. 176, November 1964, p. 7 and Boletín Mensual de Estadística, No. 314, September 1977, p. 30.

stagnation and exhaustion of the import substitution process appeared,[46] a closer insight into the process of industrialization shows that stagnation, understood as a low rate of growth, was not equally distributed among all sub-sectors of industry nor among all the different firm sizes. On the contrary, in the late 1950s, a new stage in the process of import substitution began in so far as the expansion of both the industry and the market started to depend on the branches of industry producing consumer durable, intermediate and capital goods.[47]

As may be observed from Table 2 below, over the period 1953-1967 the composition of the industrial output changed considerably. On

Table 2: Output Distribution and Average Annual Rates of Growth in Output: 1953, 1960 and 1967 (percentages)

	Output Distribution			Average Annual Rates of Growth in Output		
	1953	1960	1967	1953-60	1960-67	1953-67
Non-durable consumer goods	73.1	61.2	56.2	4.3	4.6	4.4
Durable consumer goods	3.9	4.9	6.2	10.5	9.4	9.9
Intermediate goods	20.8	30.1	32.1	12.8	6.9	9.8
Capital goods	1.4	2.4	3.3	15.6	10.5	13.0
Other	0.8	1.4	2.1	16.5	12.0	14.3
Total	100.0	100.0	100.0	7.0	5.8	6.4

Source: World Bank, Economic Growth of Colombia: Problems and Prospects, 1970, Tables 6-7 (p.107) and 6-5 (p.104).

the one hand, the relative participation of the non-durable consumer goods fell from 73.1 per cent to 56.2 per cent while the intermediate goods industry increased its participation from 20.8 per cent to 32.1 per cent and the durable consumer goods from 3.9 per cent to 6.2 per cent. On the other hand, while the non-durable consumer goods industry was growing only at an average annual rate of 4.4 per

cent during the period 1953-1967, the other sub-sectors (durable consumer goods, intermediate and capital goods) grew at approximately 10 per cent or more over the same period.[48] The relative growth of the capital goods industries (mechanical and electrical machinery) was the greatest, averaging 13 per cent annually.[49]

For most industrial sub-groups, Table 3 overleaf shows a faster growth of industrial production in the first half rather than in the second half of the fourteen year period being considered. In general the growth of manufacturing between 1953 and 1960 can be attributed to the development of new branches of industry. In the durable consumer goods industry, for instance, the rapid development of the tyre industry and the establishment of several electrical appliance manufacturers contributed to the expansion of this category. More significant though, was the dynamic development of industries producing industrial inputs (i.e. the intermediate goods industry) which, in the seven-year period from 1953 to 1960 grew at an average annual rate of about 13 per cent, even though some intermediate goods were relatively developed by 1953. The development of the intermediate industries was partly stimulated by government investments in this group. For instance, the establishment of Paz del Río, a steel plant, stimulated the development of the basic metal industries which grew at a rate of 42 per cent per year. The metal industries also grew rapidly at an average annual rate of about 13 per cent during that period partly as a by-product of the development of the steel industry and partly as a result of import restrictions. Similarly, the government-financed soda plant near Bogotá was crucial in the expansion of the chemical industries which during 1953-1960 grew at a rate of 18 per cent per year. The start of production of the ESSO petroleum refinery in Cartagena contributed to the accelerated growth of another important industrial input - refined

petroleum products - which grew at an average annual rate of 18 per cent between 1953 and 1960. The paper industry, expanding at a rate of 18 per cent during the period 1953-1960, received its first stimulus in the 1950s from large investment throughout the period by Cartón de Colombia, one of the two large producers of paper products in Colombia. [50]

Table 3: Average Annual Growth Rates in Output, 1953-1967

	1953-60	1960-67	1953-67
Non-durable consumer goods	4.3	4.6	4.4
Food	1.7	5.2	3.5
Textiles	8.4	3.5	5.9
Pharmaceuticals	13.5	10.5	12.0
Durable consumer goods	10.5	9.4	9.9
Furniture and rubber products	11.2	9.1	10.2
Electrical appliances	18.8	12.5	15.1
Motor vehicles	6.9	12.6	9.7
Intermediate goods	12.8	6.9	9.8
Paper and products	18.1	14.3	16.2
Chemicals, other	17.6	21.0	19.2
Petroleum	17.5	2.8	10.1
Non-metalic mineral products	6.9	6.8	6.9
Basic metals	41.8	3.2	22.5
Metal products	13.3	8.1	10.7
Capital goods	15.6	10.4	13.0
Mechanical machinery	10.8	7.8	9.3
Electrical machinery	34.7	13.8	24.2
All industries	7.0	5.8	6.4

Source: World Bank, Economic Growth of Colombia: Problems and Prospects, 1970, Table 6-8 (p. 108).

Between 1960 and 1967, however, the growth of output slowed down in three out of the four major industrial sub-groups, non-durable consumer goods being the exception. The rate of growth of capital goods declined from about 16 per cent in the period 1953-1960 to about 11 per cent from 1960 to 1967; the growth rate of the

intermediate goods declined from about 13 per cent in the first period to about 7 per cent in the second. The rate of growth of consumer durable goods declined least: from 10.5 per cent between 1953 and 1960 to 9.4 per cent between 1960 and 1967.

The main intermediate goods for which the growth rate fell were basic metals and petroleum. Import substitution, however, sustained high growth rates in chemicals and paper through the establishment of new plants. Similarly, the growth rate of the capital goods sector was sustained by the rapid expansion of electrical machinery (about 14 per cent per year). Among non-durable consumer goods sugar and processed foods expanded, but above all the overall growth rate of the sector was maintained by the growth rate of the pharmaceutical industry. The durable consumer goods expanded over the period at a rate of 9.4 per cent, particularly due to the rapid growth of cars and electrical goods. On the whole, the growth trends over the entire 1953 to 1967 period are clear indicators of the process of diversification of Colombian manufacturing output.

Moreover, it is worth noting that the rate of growth in output was not equally distributed among different size of firms. As Table 4 overleaf indicates, while the firms employing 5 to 15 workers were growing at an average annual rate of 3.2 per cent during the period 1960-1967, the firms with 100 to 199 workers were growing at a rate of 6.7 per cent and those with more than 200 workers at a rate of 7 per cent. In 1967, 63.1 per cent of the total output was produced by firms with 100 workers or more.

Thus, rather than an 'exhaustion' of the import substitution process, what occurred in the late 1950s was a qualitative change in the composition of industrial production. Due to the limited size of the domestic market for basic consumer goods, production was re-oriented towards high income groups by introducing new lines of

Table 4: Growth Rates in Output by Size of Firms, 1960-1967

	Growth (%)	Output Distribution (%)	
	1960-1967	1960	1967
5 to 14 workers	3.2	10.8	9.0
15 to 99 workers	4.7	31.1	28.9
100 to 199 workers	6.7	15.9	16.8
200 or more workers	7.0	42.2	45.3
Total	5.8	100.0	100.0

Source: World Bank, Economic Growth of Colombia: Problems and Prospects, 1970, Table 6-6 (p. 106).

products and/or by the increased sophistication of already existing ones.[51] This development, determined mainly by the size and composition of the domestic market, shifted production away from the basic consumption goods for the majority of the population to the production of luxuries for the high income groups. In addition, the 'demonstration effect' that emanated from the advanced capitalist countries, made for the further fragmentation of the initial narrow market. This had the result, from the point of view of the opportunities which the initially small market presented for mass-production, of further fragmentation into proportionately even smaller markets for specific goods. Thus, mass-production was bypassed in order to concentrate production in a few lines based on the differentiation of the product.[52]

However, the investment opportunities presented by diversification were not only narrow from the outset, but tended to shrink rapidly in consequence of the monopolistic structure of the product market and as a result of the dependence upon imports of capital goods.[53] Technological dependence - defined as the dependence on imports of capital goods for the expansion of industry - in combination with the size of the market are, perhaps, the two most important determinants

in the development of the industrial structure of non-advanced capitalist economies. Technology imported from developed countries usually involves large economies of scale, and efficient production with this technology requires a volume of production equal or greater than the demand of the national Colombian market. [54] Thus, the effects on industrial concentration created by the dependence of the non-advanced countries on the techniques of the industrially advanced countries are obvious. On the one hand, the narrow markets of the non-advanced economies cannot sustain more than a few firms in each line of production because the scales of output that must be adopted to introduce modern methods of production are large, compared to the size of the initial market. On the other hand, these markets will be only partially expanded through income generated by investment since a large proportion of the capital goods must be imported.

Given that the main determinant of the optimum plant size, and thereby of the competitive structure of the market, is technology, it is not surprising to find that the degree of concentration of the economy in the non-advanced capitalist countries is as high, if not higher, than in the industrially advanced countries. In the case of Colombia, data collected by many studies has shown that the degree of concentration of the industrial sector is very high. [55] The World Bank study estimated that in 1967, the 527 establishments employing over 100 workers, while representing less than 5 per cent of the total number of establishments, accounted for 57 per cent of the employment, 72 per cent of the wages and social benefits, [56] 63 per cent of the gross output, 71 per cent of the value added, 82 per cent of the net investment, 66 per cent of the increase of inventories and 63 per cent of the horsepower installed in the total manufacturing sector. [57] Moreover, Merhav has suggested that the concentration existing in the different branches of Colombian

industry is very similar to the patterns followed by the advanced capitalist countries.[58] In other words, a low percentage of establishments account for most of the gross output produced by a given branch. Table 5 overleaf illustrates this point.

Thus, since the late 1950s the monopolistic tendencies shown by Colombian industry from an early stage were accentuated by two factors. Firstly, the production of intermediate goods contributed, in part, towards further concentration because of the complex technology attached to their production, which implies high costs of initial capital, e.g. chemicals, petroleum, metals, and so on. Secondly, with the presence of the multinational subsidiaries, especially from 1960 onwards, the monopolistic tendencies were reinforced by the creation of extra barriers of entry through the control of the market of technology, patents and registered mark controls. Moreover, as Urrutia rightly points out, "the high transportation costs within Colombia also contribute to the problem of monopoly production".[59] Due to Colombia's mountainous terrain, the high cost of transport limits the market for many products to a rather small region, thus leading to monopoly production in certain geographic areas. For this reason the existence of various firms in the country producing the same product does not necessarily mean that there is an oligopolistic market since it only might be hiding the monopoly that each firm has on specific geographical markets.

If, at an internal level, the possibilities of industrial expansion and the shape of the industrial structure were determined by the size and composition of the domestic market, at an external level they were determined by the fluctuations of the import capacity.[60] On the one hand, the demand for producers' goods that originated in the domestic sector frequently remained unsatisfied due to the

Table 5: Percentage of Number of Establishments Accounting for over 40 per cent of Gross Output, by Industries, Selected Countries

Country		Food	Textiles	Paper	Printing	Apparel	Wood	Furniture	Leather	Rubber	Chemicals	Petroleum	Non-met.min.	Basic metals	Metal prod.	Machinery	Elect. mach.	Transp. eq.
Germany	Firms	3.3	5.7	5.9	2.6	6.1	2.3	11.0	4.1	5.8	2.5	3.5	5.9	3.6	3.9	3.1	5.6	6.6
(1960)	Output	53.3	50.7	48.2	44.6	44.9	44.0	58.3	49.2	70.6	66.6	47.9	63.9	67.5	49.6	46.3	55.7	86.3
United Kingdom	Firms	2.8	14.4	5.7	2.4	15.2	9.4	15.4	6.6	3.8	2.9	1.5	12.7	5.5	3.1	4.6	3.4	2.3
(1958)	Output	49.4	54.5	55.0	52.0	63.2	57.3	54.8	44.4	52.0	46.4	51.1	71.1	62.3	49.2	53.2	47.6	52.2
United States	Firms	2.9	5.3	4.0	1.4	9.1	2.6	7.6	10.1	1.3	2.2	4.2	2.8	3.0	3.2	1.7	3.0	2.0
(1958)	Output	46.0	41.1	42.5	44.9	47.9	42.8	59.0	55.3	47.6	54.1	58.3	46.3	60.2	47.3	50.1	52.4	60.5
Colombia	Firms	3.4	9.7	3.0	1.4	5.3	12.7	3.4	1.5	9.4	8.6	7.7	2.7	12.9	6.9	19.8	3.4	3.1
(1962)	Output	50.1	68.9	54.1	45.2	58.4	57.6	44.0	44.5	89.8	55.7	78.2	62.1	79.8	45.1	53.2	56.5	50.0
El Salvador	Firms	3.4	3.3	66.7	9.5	7.7	13.3	28.6	23.3	40.0	23.1		3.4	33.3	18.8	7.8		11.1
(1956)	Output	65.0	42.5	76.2	78.7	46.4	61.4	63.1	64.1	62.8	51.0		57.2	90.7	39.7	55.0		57.2
Ireland	Firms	4.6	15.1	13.2	7.1	13.8	10.4	30.4	13.8		21.0		6.3		10.6	11.5	9.4	33.7
(1958)	Output	49.4	58.6	62.6	60.4	55.7	49.2	66.1	43.8		70.4		64.4		56.4	44.9	50.8	94.7
Israel	Firms	3.0	3.9	4.9	2.3	3.0	3.0		5.9	4.1	5.9		3.3	4.2	4.1	5.6	5.8	1.4
(1958)	Output	46.5	51.8	65.2	46.8	51.5	49.9		52.6	56.3	64.0		58.3	71.5	46.2	58.1	52.8	52.8
Malaya	Firms	4.6			16.4	22.3	19.5	11.0		4.9	8.9		9.3		6.7	18.6		19.7
(n.d.)	Output	55.8			51.9	48.6	52.0	43.7		58.9	52.8		55.1		51.6	61.8		51.7
Philippines	Firms	1.3	15.2	22.5	5.7	20.9	11.2	17.6	14.6	14.7	4.5		1.6	14.7	10.4	6.3	10.7	2.9
(1960)	Output	47.3	59.4	63.2	51.4	67.4	46.1	63.1	46.1	72.9	52.5		45.4	75.0	62.8	70.4	53.9	46.3

Source: Meier Merhav, Technological Dependence, Monopoly and Growth, 1969, Table I.5, p. 46.

limitations in the import capacity of the economy. On the other hand, the scarcity of foreign exchange became an effective barrier of entry for new firms, thereby accentuating the monopolistic structure of industry, especially because of the systematic government policy not to assign foreign exchange for the expansion of productive capacity in those industries which presented high levels of capacity underutilization.[61] As can be observed in Table 6 below, from the mid-1950s the imports of capital goods and intermediate products represented nearly 90 per cent or more of the total industrial imports. Since Colombian industry was heavily dependent on the imports of capital goods, and the levels of investment in those goods were strongly affected by the fluctuations of the external sector which provided foreign exchange for imports, a disparity between the levels of accumulation and the opportunities of investment often appeared.[62] Thus, even if the disposable foreign exchange did not determine the levels of capital accumulation in absolute terms, as it did the size of the domestic market, it determined the cyclical movements of capital accumulation.

Table 6: Structure of the Imports of Manufactures, 1937-1967

	Non-durable consumer goods	Durable consumer goods	Intermediate goods	Capital goods	Total
1937-39	32.5	6.9	27.0	33.6	100.0
1940-45	24.1	6.0	36.8	33.1	100.0
1946-48	17.1	8.3	29.0	45.6	100.0
1949-51	13.6	8.1	34.7	43.6	100.0
1952-53	9.7	10.9	30.1	49.3	100.0
1954-59	5.6	3.8	42.3	48.3	100.0
1960-62	4.1	6.3	29.5	60.1	100.0
1963-65	2.6	3.6	29.7	64.1	100.0
1966-67	2.5	6.2	26.0	65.3	100.0

Source: Juan F. Gaviria, Francisco J. Gómez and Hugo López, Contribución al Estudio del Desempleo en Colombia, CIE-DANE, Bogotá, 1971, Table IV-10.

In short, the limited size of the domestic market, the dependence upon imported machinery and technology and the limited import capacity of the economy not only affected directly the process of capital accumulation, but also accelerated the tendencies towards monopolization (concentration), which the industrial sector had shown at an early stage of its development.[63] This trend was reinforced by a series of protectionist policies adopted by the State between 1931 and the late 1960s. As most analysts who have examined Colombia's process of industrialization, and forthat matter that of most countries of Latin America, have pointed out, the import substitution policy led, in turn, to some degree of economic inefficiency in the industrial sector (i.e. high costs and underutilization of capacity) and to high levels of prices and average profits.[64]

But, perhaps the greatest disappointment with Colombia's industrialization process based on the substitution of imports was that in spite of the relatively high rates of growth in industrial output achieved during the 1950s and 1960s, it did not create employment at the levels that were expected, at least theoretically.[65] Indeed, the development of the industrial sector under monopolistic conditions had noticeable effects on the sector's demand for labour. On the one hand, the speed at which capital accumulation took place was a stimulus for the expansion of employment; on the other, its effects were restricted by the form assumed by the absorption of technological progress: large capital/labour and output/labour ratios. Additionally, given the limited market situation most of the new investment was allocated for "modernization" of the industrial structure - technological change - and very little to its real "expansion".[66]

From Table 7 overleaf, it may be noticed that from 1953 until 1962 the performance of the industrial sector was remarkably good.

The situation regarding growth of output and employment was quite stable. This is explained by two conditions: firstly, the dynamism of the import substitution process during that period; secondly, the 'boom' in the international coffee prices that started in 1958 and lasted until 1962, which supplied foreign currency for the imports of capital goods required by the industrial sector for its expansion. Indeed, most of the expansion of employment in manufacturing and in the large firm sub-sector occurred between 1958 and 1962. During this period employment growth in manufacturing averaged 4 per cent a year and firms of over 100 employees accounted for more than 90 per cent of the total increase. Employment in firms of under 20 workers actually fell. After 1962, however, there was a significant decline in the rate of growth in manufacturing employment. In the period 1962-1967 the rate of growth of employment in manufacturing was estimated to be only about 1.3 per cent a year. This was mainly the result of the drastic decline in the rate of employment growth in large firms, from over 5 per cent a year to about 2 per cent.

Table 7: Average Annual Rates of Growth of Industrial Output, Value Added and Employment (%), 1953-1967

	1953-58	1958-62	1962-67
Industrial Output (a)	7.8	9.5	4.4
Value Added (a)	n.a.	13.2	4.3
Industrial Employment-Total	4.2	4.0	1.3
- Consumer Goods	0.6	2.2	0.6
- Intermediate Goods	6.9	6.1	2.1
- Capital Goods	14.4	8.1	2.1

(a) At constant prices of 1958.
n.a. = not available.

Sources: 1953-58, Konrad Matter, The Effects of Foreign Private Enterprise on Development: The Case of Colombia, Bogotá, 1977, Table 3-26, p. 306.

1958-67, DANE, Boletín Mensual de Estadística, No. 224, March 1970, Tables 8-9 and 8-10 (pp. 138-39) and D.N.P., Revista de Planeación y Desarrollo, Vol. IX, No. 3, October - December, 1977, Table 5-7 (p. 220).

The decline in the rate of labour absorption, especially during the period 1962-67 (1.3 per cent per annum), certainly contributed to the employment problem faced by the Colombian economy during the sixties in the urban areas and especially in the four main cities, namely, Bogotá, Cali, Medellín and Barranquilla, where most of the industry is located. [67] The loss of dynamism in the creation of industrial jobs, combined with a relatively high rate of urban population growth, showed up in the growing figures of unemployment and underemployment that were observed during the sixties. According to census data, the rate of unemployment increased from 1.2 per cent in 1951 to 4.9 per cent in 1964. For the four main cities of Colombia, the estimated rates of unemployment were 10 per cent in 1963, 9.5 per cent in 1965 and 13 per cent in 1967 (See Table 8). Indeed, the great concern shown by most analysts of the Colombian economy regarding the employment problem (not only in economic terms but also in terms of its social and political consequences) is reflected in the economic plans of the sixties and early seventies and in the recommendations of the international agencies. [68]

Table 8: Averages of Open Unemployment in the Four Main Cities: Bogotá, Cali, Medellín and Barranquilla, 1963-1969

Year	Lower and Upper Limit of the Average Rate of Open Unemployment
1963	10.0 - 12.0
1964	10.0 - 12.0
1965	9.5 - 11.5
1966	10.5 - 12.5
1967	13.0 - 15.0
1968	12.0 - 14.0
1969	9.5 - 12.5

Source: H. Gómez Buendía, "El Desempleo Urbano: Raíces, Tendencias e Implicaciones", Coyuntura Económica, Vol. V, No. 1, April 1975, pp. 107 and 113.

However, the following three factors must be considered in order to understand the nature of the industrial demand for labour during the import substitution phase and, more important, the decline in the rate of growth in manufacturing employment after 1962. Firstly, up to 1962 the entry of new large firms and the expansion of already large firms played a crucial role in the creation of employment. For instance, between 1958 and 1962 firms of over 100 workers accounted for over 90 per cent of the new jobs created in manufacturing over those four years. However, as shown by Table 7, the effectiveness of this form of employment expansion was temporary and lasted only during the introduction of new branches of industry in the intermediate and capital goods industry.

Secondly, the reinforcement of monopoly production during the phase of import substitution was felt by small firms. In fact, between 1958 and 1967 the number of establishments that operated with 50 or less workers was reduced by 4.9 per cent. During that period, modern industry took over many lines of production that traditionally were operated by small establishments such as food, shoes and clothing. The impact of this was felt on the rates of employment absorption, since small firms are relatively more 'labour intensive' than the large ones. The ILO mission to Colombia in 1970 found that the amount of investment required for the creation of one job in the industrial sector had doubled between 1957 and 1966. [69]

Finally, the production coefficients such as capital/labour and output/labour ratios are much higher in the large firms than in the smaller ones, which means that the effects of output expansion on the absorption of employment were more than counteracted by increases in labour productivity. The explanation of the incompatibility between an increase in both productivity and demand for labour faced by Colombian industry during the import substitution

phase is to be found basically in the much slower growth of the effective demand for industrial goods (due to low wages) than that of productivity. This led Fierro to conclude that "when changes in productivity by size of firm are analyzed, it is clearly noticeable that the small firms increase the labour content in their production while the large diminish it. ...The analysis of the structural change in the industrial sector... shows both the low capacity (in terms of labour absorption) of industry when compared with other sectors of the economy and the tendency of that capacity to diminish as the process of modernization advances in the industrial sector". [70] In other words, the absorption of technological progress is solved by lowering the employment coefficients.

However, it is important to emphasize that although the post-1962 decline in the rate of industrial employment absorption was a crucial factor in disclosing the seriousness of the 'employment problem' that the Colombian urban economy has been facing since the 1960s, it cannot be suggested that the origin of the problem lies in that factor. Nor can it be suggested that the import substitution policy created the problem of employment in the urban areas of Colombia, although that policy undoubtedly contributed towards it, in so far as it encouraged monopoly production through heavy protectionist tariff policies. In fact, the simplistic notion that the employment problem is just a reflection of a temporary disequilibrium in the labour market caused by rapid urban growth and low rates of labour absorption in the industrial sector must be laid aside.

As it has been pointed out in the present Chapter, the employment problem is much more complex and can only be understood in the light of the various interrelated phenomena which have helped to shape and determine the course of Colombian capitalism. A major element is

certainly the extremely unequal distribution of wealth, represented by both land and capital. On the one hand, the unequal distribution of wealth contributed to the creation of a landless peasantry which, since the beginning of the present century, has provided large reserves of labour for the expansion of coffee production, the country's infrastructure and the development of industrial production. On the other hand, the unequal distribution of wealth also played a major role in shaping the highly monopolistic structure of Colombia's product market which, as we saw, has limited the creation of employment in so far as (i) the entry of new firms has been restricted, (ii) highly mechanized technologies have been favoured, and (iii) profits in excess to that of self-financing are not re-invested but kept in liquid form or employed 'unproductively', unless demand expands rapidly enough.[71] A major obstacle for the expansion of the market has been, in turn, the unequal distribution of income. This factor not only has acted as an obstacle to the expansion of production, but has also been a major determinant of the course followed by industrial development in so far as the extremely unequal distribution of income (i.e. limited internal markets on the demand side) has meant that in Colombia the expansion of industrial production has continually been linked to the capacity of the sector to diversify production rather than to intensify it.

Since the late sixties, however, the government opted for an alternative strategy for the development of Colombian industry. The aim of the new policy was to expand the market for exports as a means of overcoming the constraints imposed on the accumulation of capital by both the limited size of the domestic market and the scarcity of foreign exchange. The export promotion policies, now in operation, were introduced in 1967 under Decree 444. The government policy for export promotion was fourfold: a subsidy was granted on

exports, [72] two variants of a drawback type system were made available to the exporter, [73] an export marketing board was established by the government, [74] and export financing guaranteed by the Central Bank was made available to exporters. [75]

However, the viability of the 'export promotion strategy' which, to a certain extent implied a shift of the dynamic core of capital accumulation from the substitution of imports to the export of manufactured goods and agricultural products, [76] depended on the following four factors. Firstly, on the range of incentives and favourable conditions that were granted to exporters by the government through economic policy and institutional reforms. Secondly, on the concentrated and monopolistic structure of the industrial sector developed during the 1960s, which provided the basis for the incorporation of appropriate technologies and scales of production for competing in the international markets. Thirdly, on the entry of multinational subsidiaries and foreign capital, which played a crucial role in the introduction of new processes of production and appropriate technologies for competing in the international markets, and above all, provided the linkages to the international markets. In fact, the sectors with the highest participation of foreign investment are those which accounted for the greatest development of their exports. [77] Finally, on a favourable World conjuncture [78] - the effects of which lasted until the first half of 1974 on Colombian non-traditional exports - which played a crucial role in the expansion of effective demand for Colombian non-traditional exports in the World markets.

Based on these four factors, the exporting of Colombian manufactured goods increased by over 500 per cent between 1970 and 1974, and the ratio of industrial exports to total output rose from 3.4 per

cent in 1970 to 9.1 per cent in 1974. Based on the 'export promotion strategy' Colombian industry was able to overcome, at least for some years, the constraints imposed on its growth by the market size and the scarcity of foreign exchange.[79] Indeed, the expansion of industrial activity was reflected in the growth of the economy, which showed an average annual rate of growth of over 6 per cent during the period 1970-1974, and in the remarkable progress of capital accumulation. As Berry and Díaz-Alejandro put it: "the relaxation in balance of payments, achieved in good measure by the development of non-traditional exports, has been accompanied during 1967-1974 by an acceleration in the rate of overall growth and in that of capital formation. The gross domestic product (GDP), which during 1956-67 expanded at an annual rate of 4.6 per cent, has since 1967 grown at more than 6 per cent per year. The expansion has been general, including all the important branches of agricultural production and manufacturing".[80]

In addition, the expansion of the effective demand permitted a wider absorption of employment in the industrial sector as a result of a greater dynamism in the accumulation process. In effect, between 1971 and 1974 more jobs were created than during the 1960s as a whole. The annual rates of growth of employment in the industrial sector were 6.2 per cent in 1971, 8.4 per cent in 1972, 7.6 per cent in 1973 and 4.6 per cent in 1974, while the labour force was growing at an annual rate of 3.8 per cent.[81] It must be noted, however, that industrial exports have been concentrated in a relatively small number of firms. In 1970, 24 firms contributed 62 per cent of the industrial exports (excluding sugar). Of these companies, 10 were foreign owned and accounted for 27 per cent of the industrial exports of that year. Their average size of firm was far above that for industry as a whole.[82] Berry and Díaz-Alejandro

conclude that "up to now [1976], though, there is no evidence of a tendency towards deconcentration of manufactured exports, nor of an increase in the relative importance of items which are more intensive in unskilled labour". [83]

However, there are serious drawbacks in Colombia's industrial development strategy based, as it is, on the promotion of exports. Firstly, from the standpoint of demand, the export sector is extremely vulnerable to the vicissitudes of the World economy, as shown by the effects on Colombia's industrial activity (from the second half of 1974 onwards) of the World recession that started in 1973. The rates of growth of both output and employment in the industrial sector started to decline as the drive observed in the accumulation process during the early part of the seventies was affected by the rapid decrease in World demand. Secondly, the relaxation of the protective system of tariffs [84] that accompanied the export promotion strategy has often led to a situation in which increases in exports showed themselves in increases in imports of luxurious consumer goods rather than intermediate and capital goods.[85] In some cases, this has led to the closure of long established domestic firms.[86] Thirdly, with the export promotion strategy the labour absorption potential of the industrial sector has been further diminished in so far as both the acceleration of technological progress in most branches of industry and the growth in the average size of firms which accompanied the export promotion strategy, contributed to reinforce even further the monopolistic structure of Colombia's productive structure. Fourthly, and most important in the context of the present study, is the effect that the promotion of exports has had on the level of wages due to the fact that the cost of production has to be reduced to its possible minimum in order to compete successfully in the World markets. In this respect it is important to note that, given a certain level of

wages and expected rates of profit for capital, the comparatively lower productivity of Colombian industry imposes a floor under prices which usually is much higher than that of the competitors in the World market. This led Nelson et.al. to point out that "indeed, in many cases low productivity has meant that protection from foreign competition is required if profit rates and wages of those employed by the sector are to be maintained". [87] Thus, if prices have to be set low enough to develop an export market, in the short term one of two things must happen: either a reduction in real wage rates or a reduction in the expected profit rate of capital. Table 9 overleaf illustrates the trends of real wages and share of wages in value added during the 1960s and part of the 1970s.

From the evidence in Table 9, it could be argued that, since 1971, the improvement in the competitive terms of Colombia's industrial products in the international markets has partly occurred at the cost of real wages of both manual and non-manual workers employed in the industrial sector. In fact, between 1971 and 1975 the level of wages of the manual wage-earners employed by the manufacturing sector decreased at an average annual rate of 4 per cent and, similarly, the level of wages of the non-manual wage-earners employed by the sector decreased at an average annual rate of 3.9 per cent over the same period. Although wages increased in 1976, in 1977 the downward trend continued. [88]

The increase in real wages during the period 1958-70 (4.8 per cent for manual workers and 5.8 per cent for non-manual workers), on the other hand, can be explained partly by the increases in the legal minimum wage that took place in January and August 1962, in 1963 and in 1969 and by the substantial increases in productivity and low levels of inflation that characterized the sub-periods 1958-62 and 1967-70. [89]

Table 9: Observed Tendency of Real Wages in Manufacture and Share of Wages in Value Added: 1958 - 1977 (Base: 1958=100)

Years	Real Wages of Manual Workers a/		Real Wages of Non Manual Workers a/		Real Wages of Total Workers b/		Share of Total Wages in V.A. c/
	Index [1]	Annual Rate of Growth	Index [1]	Annual Rate of Growth	Index [2]	Annual Rate of Growth	Percentage
1958	100.0		100.0		100.0		34.8
1959	101.7	1.7	101.3	1.3	102.6	2.6	35.0
1960	104.1	2.4	109.0	7.6	112.6	9.7	34.9
1961	105.1	1.0	116.6	7.0	118.7	5.4	36.2
1962	134.5	28.0	146.1	25.3	130.7	10.1	36.3
1963	132.9	- 1.2	160.3	9.7	137.2	5.0	36.5
1964	130.8	- 1.6	153.8	- 4.0	135.5	- 0.5	38.1
1965	135.1	3.3	160.3	4.2	141.2	3.4	38.1
1966	132.3	- 2.1	156.4	- 2.4	140.4	- 0.6	37.8
1967	136.1	2.9	159.0	1.7	142.6	1.6	38.9
1968	140.4	3.2	164.1	3.2	146.9	3.0	40.1
1969	148.2	5.6	167.9	2.3	154.5	5.2	39.9
1970 [3]	169.1	14.1	191.0	13.8	186.9	20.9	41.8
1971	165.1	- 2.4	184.6	- 3.3	176.5	- 5.6	40.8
1972	158.8	- 3.8	176.9	- 4.2	173.1	- 1.9	40.2
1973	148.6	- 6.4	164.1	- 7.2	162.5	- 6.1	35.2
1974	141.0	- 5.1	156.4	- 4.7	155.4	- 4.4	30.4
1975	137.6	- 2.4	156.4	0.0	155.1	- 0.2	31.2
1976	143.4	4.2	159.5	2.0	166.6	7.4	31.6
1977	132.2	- 7.8	146.4	- 8.2	157.1	- 5.7	
Average (58-70)		4.8		5.8		5.5	
Average (70-75)		- 4.0		- 3.9		- 3.6	
Average (70-77)		- 3.4		- 3.7		- 2.4	
Average (58-77)		2.0		2.3		2.6	

1 This index is based on wages only.

2 This index is based on both wages and social benefits paid to workers by industry.

3 The data on 1970 is open to doubt due to the fact that important methodological changes were made in both the design of DANE's Annual Industrial Survey and in the calculation of the price indexes produced by the Banco de La República. For a description of the main changes made to DANE's Annual Industrial Survey see U. Ayala and C. Sanjinés, Descripción del Archivo de Información sobre el Sector Manufacturero Colombiano: 1960-1973, Documento de Trabajo, CEDE, Los Andes University, Bogotá, September 1976, pp. 8-10.

Sources: a/ Revista de Planeación y Desarrollo, Vol. IX, No 3, Bogotá, 1977. Table 2.6, p.66 and DANE, Muestra Anual Manufacturera 1976-1977 in Boletín Mensual de Estadística, No. 309, May 1977 and preliminary results of the 1977 survey.

b/ DANE, Muestra Anual Manufacturera, 1958-1977

c/ Banco de La República, Cuentas Nacionales, 1950-1976

Linked to the increases in real wages between 1958 and 1970, an upward trend in the share of wages in value added can be observed, reaching its peak in 1970 when wages participated in 41.8 per cent of value added. Moreover, it is interesting to note that the share of wages in value added was slightly in excess of 40 per cent during the period 1968-72, mostly due to increases in the level of employment. However, attention must be drawn to the fact that only one third of the increased share of wages in value added over that period went to manual workers, while two thirds of it went to the non-manual group of workers. [90]

This high participation of wages in value added was maintained during 1971 and 1972 in spite of the fall in real wages, due to the expansion in employment mentioned earlier. From 1973 onwards, however, a sharp decline can be observed in the share of wages in value added and the period 1974-76 shows the lowest levels observed in the history of Colombian modern industry. This reduction of 10 per cent in the product that goes to wages can be signalized as the main cause of the recession that hit Colombian industry in 1975. [91] In that year the GNP grew by the modest rate of 1.8 per cent, while industrial production dropped by 3 per cent, commercial activity by 4.3 per cent and construction by 15.3 per cent. Between 1975 and 1977 employment in the manufacturing sector grew at an average annual rate of 2.3 per cent, while in the period 1969-74 employment grew at an average annual rate of 6.7 per cent. Although the economy as a whole, and the industrial sector in particular, have recovered from the recession of 1974-75, they have not achieved the dynamism of the early 1970s.

From the point of view of distribution, then, the scattered evidence that exists strongly suggests that the export promotion

strategy adopted by the Colombian government in the late sixties has worsened the distribution of income and thereby further increased the fragmentation of the domestic market. Berry and Díaz-Alejandro conclude after examining the question of the impact of Colombia's new exports in her income distribution that "in any case our earlier discussion gives no grounds for expecting the distributional effect to be positive in Colombia". [92] In addition, as a result of the worsening in the distribution of income and the inflow of imported luxurious consumer goods that the relaxation of import tariffs brought about, favourable opportunities for investment for commercial and financial capital have been created at the expense of productive capital. [93]

Thus, if the prosperity of the world economy showed the positive effects of the export promotion strategy, the world recession that started in 1973 showed its weaknesses. Although it is true that the world recession hit the world economy, and Colombia is no exception, it must be noted that Colombia's vulnerability to the recession was largely increased by the choice of expanding industrial production, among other options, through an export promotion strategy. This option was favoured because it did not challenge the economic power of the groups that control the wealth of the country but rather involved an extension of their interests and those of foreign capital. The alternative would have been (and still is) to expand industrial production through a policy of income and wealth re-distribution that eventually will lead to a significant expansion of the market for consumer goods. [94] However, since such an option implies a rupture in the power of existing elites it is obviously not politically viable under the present order. In relation to this point, it must be mentioned that another option to which some attention has been given in the past, although with not much success, is the setting up of

a free-trade area or common market as a means of expanding demand. However, although more than ten years have elapsed since the Andean Pact was formed by Bolivia, Colombia, Chile, Ecuador and Perú (Venezuela joined in 1973 and Chile left in 1977), the existence of severe imbalances in the distribution of trade among countries and the conflict between regional and national interests have not yet been successfully resolved. [95]

From the above analysis it can be concluded that in Colombia the advancement of capital accumulation tended to create wage-jobs in a lesser proportion than the increase in the labour supply. Table 10 overleaf, summarizes the main changes in the supply and demand of labour over the period 1951-1973. From the evidence contained in this Table it can be seen that although the rate of population growth and the overall labour participation rate diminished quite significantly between the two sub-periods being analyzed, the demand for labour dropped more rapidly, thus starting to generate structural unemployment. Moreover, it must be noted that the power of these forces was more acute in the urban than in the rural areas, due to the persistence of massive rural-urban migration throughout the period. The urban population of Colombia grew at an average annual rate of 5.7 per cent between 1951 and 1964 and at 4.4 per cent between 1964 and 1973. This stands in contrast with the growth of the rural population, which over the same period increased at an average annual rate of 1.3 per cent and 1.0 per cent respectively.

In any case, however much attention one gives to various influences, the fact remains that there was no impulse forward in employment in the 1960s to match the growth in the labour force, which by then was rising by over 100,000 persons a year. While in agriculture employment increased by 435,000 man-years between 1951

Table 10: Changes in the Supply and Demand of Labour, 1951-1973

(Average Annual Rates of Growth in Percentages)

	1951-64 (%)	1964-73 (%)
Growth of Population	3.2	2.9
Growth of Adult Population (14 years or more)	2.9	3.5
plus changes in overall participation rate	+(- 0.5)	+(- 1.5)
equals Growth of Total Active Labour Force(r_s)	2.4	2.0
Total Expansion in Employment (man-years) (r_d)	2.6	1.3
Difference between growth in employment and growth in active population ($r_d - r_s$)	+ 0.2	- 0.7

Source: DANE, XIII Censo Nacional de Población (July 15th, 1964), Bogotá, 1967 (This publication includes the data on the 1951 Census of Population); and DANE, XIV Censo Nacional de Población y III de Vivienda (October 24th, 1973), advanced sample of population, August 1975.

and 1964, it dropped by 730,000 man-years during the period 1964-73. Thus, if the period 1951-73 is considered, there was a net decline in rural employment of approximately 300,000 units. [96] The manufacturing sector (craft included), on the other hand, generated 165,700 jobs between 1951 and 1964 (2.7 per cent annual average rate of growth) and 110,000 jobs between 1964 and 1973 (2.0 per cent annual average rate of growth), though the modern sector of manufacturing did not reach an absorption rate of 10,000 workers a year at a time when the active labour force linked to the industrial sector was growing at a much faster rate (4.1 per cent). [97] Candelo estimated that between 1951 and 1968 the modern industrial sector generated 132,500 new jobs, representing only 8.1 per cent of the total number of jobs generated by the economy as a whole during that period. [98] Thus, while the contribution of the industrial sector to the GNP increased (at constant prices of 1970) from 14.4 per cent in 1951 to 19.6 per cent in 1973, its contribution to total employment only increased from 12.4 per cent to 13.3 per cent over the same period. Table 11 overleaf illustrates

the change with time in the supply and demand for labour by sector of economic activity.

Table 11: Growth in the Supply and Demand for Labour and Productivity by Sector of Economic Activity, 1951-1973 (Annual Average Rates of Growth in Percentages)

	1951 - 1964				1964 - 1973			
	r_s	r_d	$(r_d - r_s)$	r_p	r_s	r_d	$(r_d - r_s)$	r_p
Primary Sector a/	1.4	1.8	+ 0.4	1.6	- 3.2	- 4.0	- 0.8	8.0
Secondary Sector b/	3.0	3.0	-	3.4	4.3	1.6	- 2.7	5.7
- Manufacture c/	2.7	2.7	-		4.1	2.0	- 2.1	
Modern Services d/	3.8	4.1	+ 0.3	3.1	4.9	1.9	- 3.0	5.7
Government Services e/	3.9	3.9	-	0.7	8.5	8.1	- 0.4	-2.2
Rest of Tertiary Sector f/	3.8	3.7	- 0.1	1.1	5.9	6.6	+ 0.7	-0.6
Total	2.4	2.6	+ 0.2	2.2	2.0	1.3	- 0.7	4.6

r_s: active labour force annual average rate of growth.

r_d: employment annual average rate of growth.

r_p: productivity annual average rate of growth.

a/ Agriculture, cattle, fishing, hunting, mining and quarrying.
b/ Manufacturing industry and construction.
c/ Includes handicraft industries.
d/ Transportation, storage and communications, public utilities, banking, finance, insurance and real estate.
e/ Central and local government. Definition of National Accounts.
f/ Wholesale and retail commerce, restaurants and hotels, professional and business services, community, social and personal services.

Source: DANE, XIII Censo Nacional de Población (July 15th, 1964), Bogotá, 1967 (This publication includes the data on the 1951 Census of Population); DANE, XIV Censo Nacional de Población y III de Vivienda (October 24th, 1973), advanced sample of population, August 1975; and Banco de La República, Cuentas Nacionales, 1950-75.

From the evidence contained in this Table it is clear that during the period 1964-73 the secondary and modern services sectors, in particular, contributed quite substantially to the overall problem of unemployment. It can be noted, that besides the agricultural sector, these two sectors have shown noticeable increases in productivity as a result of rapid technological progress, a factor which has contributed to the lowering of their rates of employment absorption.

In addition, the rapid growth experienced by these sectors in previous years attracted labour away from the rural areas and minor urban centres, to the large cities where these activities are concentrated, which they could only partially absorb; and, although part of the growing labour supply has been absorbed in construction, handicraft industry, petty trade and services - often through self-employment, others have not been absorbed at all, as the growing rates of open unemployment have shown.

After 1973, the scattered evidence that exists indicates that the situation regarding employment and standards of living has continued to deteriorate due to the recession that started in 1973, and also due to the downward trend in the level of wages of those who are employed in the capitalist sector of the economy. Although there is not enough evidence on the changes that occurred during the 1970s in the overall rates of participation of the labour force, the downward trend of employment and standards of living are strong enough to suggest that the urban non-capitalist sector of the economy has been expanding and its relative importance increasing, particularly in the major urban centres of the country.

In short, it is argued that the rapid increase in the labour supply during the 1950s and 1960s is mainly explained by the rapid advance of commercial agriculture which, combined with a very unequal distribution of land, accelerated the break-up of the peasant community. The growth of population obviously played a part in the formation of the labour supply, but it was the social processes whereby large sections of the community were separated from the means of production (especially land) that was the decisive factor. On the other hand, the combination of a limited consumer market, technological dependence and the monopolistic structure of the

product market, encouraged by tariff protection, led technological progress to express itself in the increase of labour productivity rather than in employment. In addition, the high barriers of entry in the industrial sector imposed by the monopolistic structure of production and the dependence on foreign investment and technology, compounded by the limited size of the market, meant that the surplus-value obtained from capitalist production could not all be re-invested for the purposes of industrial expansion. Instead, part of it took the form of transfers, principally to the advanced economies as profits, interest, trade mark rights, patents and royalties. What remained was not easily re-invested because of the obstacles posed by the monopolistic structure of the market in general, and particularly in the most dynamic branches of industry, which, in addition, were dominated by foreign capital and subjected to foreign technology. All these factors acting together has meant that in the sectors of the economy where output grew quite rapidly productivity increased significantly, affecting their labour absorption capacity at an early stage of their development. (See Table 11).

There is a consensus amongst economists in recognizing that the low rate of labour absorption in the industrial sector has resulted from the widespread adoption of capital-intensive technologies. That is, methods of production which employ relatively fewer workers in relation to constant capital.[99] The most favoured explanation of this apparent imbalance between technology and levels of employment is that underdeveloped countries do not produce their own equipment but have to import it from the industrially advanced economies, adopting methods of production which are not appropriate to the local requirements. However, the relevant question is whether or not these capital intensive methods of production are the more efficient from

the point of view of capital, even where labour is plentiful and the adoption of these methods of production results in the growth of widespread unemployment. The answer to this question is affirmative. Indeed, the available evidence clearly suggests that where firms do have a choice they generally favoured techniques which involve higher degrees of mechanization.[100]

Thus, the effects on employment that the use of highly mechanized technology has in developing countries, cannot be ascribed to imperfections of the capitalist process of development in the way that neo-classical economists suggest. From the point of view of the individual capitalist it is more profitable to use capital intensive technology, whenever possible, independently of the fact that the use of these methods of production fail to absorb the available labour of the economy. To create full employment in the Third World is, certainly, not the historical mission of capitalism - a fact which is consistent with the trend of current events.

However, given the pervasive and long term effects on employment that the pattern of development based on capital intensive technologies entails, and in the absence of social security and unemployment benefit systems, the expansion of the non-capitalist sector of the economy acts as a short term and flexible stabilizing mechanism of employment and also of the socio-economic order. In fact, the preservation of certain elements of non-capitalist forms of production under the hegemoney of the capitalist mode of production, suggests that under certain conditions the forces of capital are obliged to adopt rather different strategies to those observed in the first stages of development in the now highly industrialized developed countries. As we have already described, the long-term limitations imposed on the accumulation of capital in the non-advanced

capitalist economies by the internal and external conditioning factors had a significant consequence: they restricted the possibilities for increasing the rate of surplus-value and profits alongside a rising level of wages. In other words, this means that in the context of these economies the production of absolute surplus-value (i.e. prolongation of the working day and/or reduction of wages below the value of labour)[101] still plays a vital role as a means of increasing profits. This pattern of development contrasts strongly with that in advanced capitalist countries, where as capitalism advanced, the production of relative surplus-value (i.e. increases in productivity mostly due to technological innovation) became the socially predominant form of the production process.[102]

Prolongation of the working day or reduction of real wages to subsistence levels, as a means of increasing the rate of surplus-value, would be unworkable in most capitalist countries given the strength of their labour movements. This can be contrasted with the situation in the non-advanced capitalist countries where the solution to this contradiction is manifested in the State's direct or indirect sanctioning of repression. The result has been the deterioration in the living standards of the working class, exemplified by the growing number of family members, especially women and the aged, who seek to enter the labour force for the purpose of augmenting insufficient family incomes. This very fact, quite apart from the lack of dynamism in the capitalist sector in terms of job creation, can help to explain the growth of the urban non-capitalist sector in a country like Colombia.

In the context of developing countries, therefore, some attention must be paid to the forms in which non-capitalist activity relates to the economy and, more important, to the ways in which those

sections of the urban labour force not directly involved in the capitalist sector of the economy as wage-earners are contributing to the advancement of capitalist production and accumulation.

Based on empirical evidence, the rest of this study will examine in detail some alternative forms to the wage relationship through which capital is currently extracting surplus-labour from the workers of the urban non-capitalist sector, thereby broadening its base of exploitation. We shall begin by looking at the role of the large urban non-capitalist sector in keeping wages low within the urban economy of Colombia (Chapter IV). Thereafter, in Chapter V, the active participation and the relevance of urban non-capitalist activity in the process of labour reproduction will be examined. In a case study, we shall then consider the role played by the workers of the urban non-capitalist sector as suppliers of essential goods and services, particularly in those instances when their provision is unprofitable by capitalist standards (Chapter VI). Before entering the terrain of concrete analysis, however, it is necessary to proceed to an examination of the operational criteria used in this study for distinguishing non-capitalist activity from its capitalist counterpart, a distinction upon which the empirical analysis is based, in particular that of Chapters IV and V.

NOTES. Chapter II

1. See Mariano Arango, Café e Industria 1850-1930, Carlos Valencia Eds, CIE, Universidad de Antioquia, Bogotá, 1977. Arango deals with the relationship that exists between coffee, which was the main export product during the first three decades of the present Century, and the development of industry throughout his book.

2. See W.P. McGreevey, An Economic History of Colombia 1845-1930, Cambridge University Press, Cambridge, 1971, Chapter VI. Frank Safford, in his Ph.D. thesis, Commerce and Enterprise in Central Colombia, Columbia University, 1965, brings accounts of the displacement of the Bogotá merchants to the hot valleys of the Magdalena river for the cultivation of tobacco as an export product.

3. W.P. McGreevey, "An Economic History...", op.cit., 1971, p. 118.

4. On this see, W.P. McGreevey, ibid., pp. 100-106.

5. On this see, Jorge Orlando Melo, "La República Conservadora" in Mario Arrubla et.al., Colombia Hoy, Siglo XXI Editores, Colombia, 1978, pp. 54-55 and W.P. McGreevey, "An Economic History...", op.cit., 1971, p. 107 and pp. 111-13.

6. Between 1871 and 1881, 42 banks were established mainly in the departments of Antioquia and Cundinamarca. On the history of the financial institutions in Colombia, see, Jorge Franco Holguín, Evolución de las Instituciones Financieras en Colombia, Centro de Estudios Monetarios Latinoamericanos, Mexico, 1966.

7. Marco Palacios emphasizes the fact that, although in the 1920s and 1930s coffee developed on the basis of small farms, the initiation of coffee cultivation was dependent on the hacienda structure in all the coffee regions (Cundinamarca, Tolima, Santander and Antioquia). See Marco Palacios, Coffee in Colombia 1850-1970: An Economic Social and Political History, Cambridge University Press, Cambridge, 1980.

8. The rapid expansion of the exports of coffee during the first three decades of the present Century, led to a twelve-fold increase in the foreign exchange income of the country between 1903 and 1929. On this see, Salomón Kalmanovitz, "Desarrollo Capitalista en el Campo Colombiano" in M. Arrubla et.al., Colombia Hoy, Siglo XXI Editores, Colombia, 1978, p. 283.

9. Marco Palacios, "Coffee in Colombia...", op.cit., 1980, Chapter IV.

10. The peasant disturbances started in the Cundinamarca region and spread rapidly to the south of Tolima. The arrendatarios demanded the termination of free labour obligations, the payment of wages, the right to grow commercial crops and coffee in their plots and the abolition of arbitrary debts with the landlords. See Salomón Kalmanovitz, "Desarrollo Capitalista", op.cit., 1978, pp. 283-288.

11. See Mariano Arango, "Café e Industria", op.cit., 1977 and also Absalón Machado, El Café: De la Aparcería al Capitalismo, Ed. Punta de Lanza, Bogotá, 1977.

12. Mariano Arango, op.cit., studies the relation between coffee exporters and the first steps of industrialization, finding a close identification between the families of exporters and industrialists. See p.220 passim.

13. Urrutia and Berry argue that the process of concentration of income which can be observed from the 1930s onwards is closely linked to the previous process of concentration of wealth, mainly in the form of land. See Albert Berry and Miguel Urrutia, Income Distribution in Colombia, Economic Growth Center, Yale University Press, 1976, Chapter IV.

14. Although in the western part of the country coffee cultivation led to a production structure dominated by the family farms of the new colonizers of Caldas and Valle, in the eastern area of traditional settlements, coffee was grown on large estates with the hacienda methods of labour recruitment. The landowner gave the peasant land for labour services or for work at nominal wages. In this region, the peasant was forbidden to plant coffee trees on his land, in order to guarantee a labour supply at harvest time. This situation, however, started to change in the late 1920s and early 1930s when the peasants started to plant coffee trees in their plots, thereby gaining the right to the land. These tactics were very successful. Peasants got land, and kept it. In Cundinamarca the conflict between landlords and tenants reached such proportions that the Ley 200 (known as López Land Reform) was passed in 1936.

15. Salomón Kalmanovitz, "La Agricultura en Colombia: 1950-1972", Boletín Mensual de Estadística, Nos. 276-278, DANE, Bogotá, 1974. Kalmanovitz points out that during this process of migration there was a situation of 'relative scarcity of labour', meaning that although some sectors of the economy faced an apparent shortage of labour, the countryside still held a large surplus population. See pp. 80-81.

16. According to Guillermo Torres, Historia de La Moneda en Colombia, Ed. Banco de La República, Bogotá, 1945, p. 353, total loans entering the country from 1923 to 1928 amounted to 197,807,740 dollars.

17. Panama declared its independence from Colombia in 1904 and authorized the United States of America the building of the Panama Canal. The U.S., in turn, compensated the Colombian Republic for its interests in the Panama Railway. On the history of the separation of Panama see Eduardo Lamaitre, Panamá y su Separación de Colombia, Bogotá, 1976.

18. S. Kalmanovitz, "La Agricultura en Colombia", op.cit., 1974, estimates that public works employed 8 per cent of the country's active population in 1928 (p. 80). On the importance of public works during that period see also Donald S. Barnhart, "Colombian Transport and the Reforms of 1931: An Evaluation", Hispanic American Historical Review, Vol. 38, No. 1, 1958, pp. 1-24. and Vernon Lee Fluharty, Dance of the Millions, University of Pittsburgh Press, Pittsburgh, 1957.

19. M. Urrutia, The Development of the Colombian Labour Movement, Yale University Press, New Haven, 1969, pp. 129-130.

20. Although there is no qualitative data to confirm the "depopulation" of the countryside during the 1920s and early 1930s (neither the 1928 nor the 1938 census includes migration data), there are secondary sources which confirm this trend of events. For instance, the minister of industry in his Report to Congress in 1928 mentioned the labour scarcity in agriculture caused by the expansion of production in other sectors. (pp. 145-46). On this see also Adán Arriaga Andrade, "El Liberalismo y los Derechos del Trabajador" in P. Mendoza Neira and A. Camacho Angarita (eds.), El Liberalismo en el Gobierno, Bogotá, Prag, 1946, pp. 246-47. The National Federation of Coffee Growers (Federación de Cafeteros), created in 1927, asked in 1928 for a suspension of public works during the harvest time in order to secure a supply of labour, a proposition which the government rejected. Moreover, the head of the Labour Office, Hoyos Becerra, made the following statement at the end of 1929 when the World depression was beginning to cause unemployment: "The introduction of foreign labour for the public works is unpostponable and should be in the future an obligation for contractors of railroad and road construction... It is also urgent that labour should be substituted for machines whenever possible... The Army should also contribute to the public works, so as to help the problem of the supply of labour", El Espectador Newspaper, January 10th, 1930. (Quoted from M. Urrutia, The Development of the Colombian Labour Movement, op.cit., 1969, pp. 116-17).

21. For instance, between 1928 and 1932 Colombia's imports were reduced by almost 80 per cent. They dropped from Col.$162,380,690 in 1928 to Col.$34,327,091 in 1932. See G. Torres García, Historia de la Moneda en Colombia", op.cit., 1945, pp. 369-85.

22. On this see among others: Luís Ospina Vásquez, Industria y Protección en Colombia 1810-1930, Editorial La Oveja Negra, Medellín, 1974, p. 493; Marco Palacios, op.cit., p. 200; and also A. Berry and M. Urrutia, op.cit., p. 255.

23. Among the institutions that were created by the government in that period are a low income credit housing institution (Instituto de Crédito Territorial - ICT) and a national livestock fund (Fondo Nacional de Ganadería - FNG) in 1939; a council's development fund (Fondo de Fomento Municipal - FFM) in 1940; and an institute for industrial development (Instituto de Fomento Industrial - IFI) in 1941.

24. According to ECLA, the output/capital ratio of the economy increased from 0.24 in 1929 to 0.29 in 1944. See ECLA, Análisis y Proyecciones del Desarrollo Económico de Colombia,(Vol. III), United Nations, Mexico, 1957, p. 16.

25. See ECLA, ibid., pp. 22-27.

26. Misas and Corchuelo argue that this phenomenon is mainly explained by the low levels of income of the majority of the population, who according to CEDE's surveys of 'Empleo and Desempleo' and DANE's 'Encuesta de Hogares' have a very low real per capita income and spent the majority of their income on fresh foodstuff rather than on industrial products. See Gabriel Misas and Alberto Corchuelo, "Internacionalización del Capital y Ampliación del Mercado Interno. El Sector Industrial Colombiano: 1958-1974 (Part I)", Revista Uno en Dos, No. 8, Bogotá, March 1978, p. 8. ECLA's report on Colombia, op.cit., also stresses that by the early 1950s the traditional industries of immediate consumption goods had lost their dynamism, while those producing durable consumer goods and intermediate goods started to gain momentum. (See Chapter III). The drive towards the process of industrial diversification during the 1950s will be developed further in this Chapter.

27. For a good analysis and an extensive bibliography on post-fifties Colombian development see Jesús Antonio Bejarano, "La Economía Colombiana desde 1950", Ensayos de Interpretación de la Economía Colombiana, Editorial La Carreta, Bogotá, 1978, and "Desarrollo Clásico y Desarrollo Dependiente: La Cuestión del Mercado Interno", ibid. In this Chapter Bejarno's line of analysis is followed. See also, World Bank, Economic Growth of Colombia:Problems and Prospects, The Johns Hopkins University Press, 1972; R.R. Nelson, T.P. Schultz and R.L. Slighton, Structural Change in a Developing Economy: Colombia's Problems and Prospects, Princeton University Press, N.J., 1971; Alberto Corchuelo y Gabriel Misas, "La Internacionalización del Capital y la Ampliación del Mercado Interno en Colombia, 1958-1974", Part I in Revista Uno en Dos, No. 8, March 1978 and Part II in Teoría y Práctica, Nos. 12-13, Bogotá, October 1978.

28. This phase in the development of the Colombian economy was characterized by the expansion of traditional exports of primary products (in raw or processed form) while most consumer, intermediate and capital goods were imported from Europe and North America.

29. This notion refers to the transference of the dynamic cause of accumulation from the exterior towards the interior of the economy. It was used by Pierre Salama in his article "El Estado y la Crisis en América Latina",Revista Ideología y Sociedad, Nos. 17-18, Bogotá, April-September, 1976.

30. From 1951 onwards extensive powers were given to the Central Bank on the financial handling of the economy. The monetary policy was oriented towards the protection of the industrial sector, fostering its development. In 1958 the National Department of Planning (DNP) was created. But State intervention was further reinforced with the Constitutional Reform of 1968 when most of the functions regarding economic policy were transferred from the congress to the government. See Jesús Antonio Bejarano, "Industrialización y Política Económica", Arrubla et.al., Colombia Hoy, Siglo XXI Editores, Colombia, 1978, pp. 221-270.

31. On this see Lauchlin Currie, Bases de un Programa de Fomento para Colombia: Informe de una Misión Dirigida por Lauchlin Currie, Ed. Banco de La República, Bogotá, 1951, Chapters V and XVIII. For an analysis of the implications of Currie's report see Jesús Antonio Bejarano. "Currie: Diagnóstico y Estrategia", Cuadernos Colombianos, No. 3, July-September, 1974, and for a more general view see Jesús Antonio Bejarano, "Contribución al Debate sobre el Problema Agrario", Revista de Extensión Cultural, No. 2/3, Universidad Nacional de Colombia, Medellín, May-December 1976.

32. Berry argues that since the 1950s technological change in agriculture has become more important, accounting for 30 to 50 per cent of output growth. See A. Berry, Development of the Agricultural Sector in Colombia (forthcoming), Chapter II. (Quoted by A. Berry and M. Urrutia, Income Distribution in Colombia, Yale University Press, New Haven, 1976, p. 75). On this see also S. Kalmanovitz, "La Agricultura en Colombia 1950-1972", op.cit., July, August and September 1974, Chapter IV.

33. See Departamento Nacional de Planeación (DNP), La Producción Alimentaria y el Proceso de Comercialización en Colombia, Vol. II, Document DNP-UDS/DPN 010, Bogotá, n.d., p. 114.

34. See Juan E. Araya and Carlos Ossa, "La Mecanización en la Agricultura Colombiana", Coyuntura Económica, Vol. 6, No. 2, July 1976, PP. 107-109.

35. It is worth noting that if the physical production index is considered, then the average annual rate of growth of peasant agriculture was less than 1 per cent over the same period. Jesús Antonio Bejarano, "La Economía Colombiana...", op.cit., p. 49.

36. Salomón Kalmanovitz, "La Agricultura...", op.cit., 1974.

37. Between 1950 and 1972 the agricultural frontier of commercial agriculture was expanded from 273 thousand hectares to 874 thousand hectares, signifying an increase of 3.2 times the initial area devoted to that type of cultivation. Meanwhile, peasant agriculture only increased its cultivable area at the modest rate of 1.7 per cent per annum due mainly to the colonization of new land. See Jesús Antonio Bejarano, "La Economía Colombiana...", op.cit., p. 56.

38. Juan E. Araya and Carlos Ossa state in "La Mecanización en la Agricultura Colombiana", Coyuntura Económica, Vol. 6, No. 2, July 1976, that the technological change undergone by agriculture in the 1950s brought about a net increase in the number of workers engaged in commercial agriculture (from 381,000 in 1950 to 518,000 in 1960), while between 1960 and 1971 the number of workers engaged in commercial agriculture decreased by 21,000. These different trends are explained by the fact that the first period was characterized by a permanent expansion of the cultivable area, while in the second mechanization was accompanied by a change in the composition of crops. (pp. 109-110). See also Salomón Kalmanovitz, "La Agricultura", op.cit., 1974, pp. 89-90.

39. For an extensive analysis of La Violencia in Colombia, in terms of its political and economical consequences, see: Paul Oquist, Violencia, Conflicto y Política en Colombia, Instituto de Estudios Colombianos, Bogotá, 1978; Germán Guzmán, La Violencia en Colombia, Editorial Tercer Mundo, Bogotá, 1979; Dario Fajardo, Violencia y Desarrollo, Fondo Editorial Suramérica, Bogotá, 1979.

40. The deaths during La Violencia in Colombia have been estimated to be between 200,000 and 300,000. See, for instance, S. Kalmanovitz, "Desarrollo Capitalista en el Campo", in Colombia Hoy, op.cit., 1978, p. 299. and passim.

41. Most authors agree that La Violencia had undoubtedly an important impact in the migration process experienced during the fifties and sixties. However, there is a study of the División de Estudios de la Asociación Colombiana de Facultades de Medicina (ASCOFAME) which concluded that La Violencia was not a relevant factor in the migration process towards the major cities of the country. It must be noted, however, that the sample on which this study is based covers only two districts of Bogotá, which are not necessarily representative of the universe being studied. See Ramiro Cardona Gutiérrez, "Migración, Urbanización y Marginalidad", Urbanización y Marginalidad, ASCOFAME, Tercer Mundo, Bogotá, 1968, pp. 63-87.

42. Nelson et.al., argue, however, that this estimate of the migration effect of violence is likely to be an overestimate, for the definition of migration includes any decline in regional population in excess of normal mortality. Some of the violent deaths are undoubtedly being attributed to out-migration, thus inflating the true effect of violence on the migration of the surviving population. See R. Nelson et.al., op.cit., 1971, p.73 (footnote 36). S. Kalmanovitz, on the other hand, argues that the number of emigrants from the countryside during the period of La Violencia outnumbered the deaths by three to four times. See S. Kalmanovitz, "El Desarrollo Capitalista en el Campo" in Colombia Hoy, op.cit., 1978, p. 299 and passim.

43. R. R. Nelson, T.P. Schultz and R.L. Slighton, op.cit., 1971, p.73. For similar calculations see S. Kalmanovitz, "Desarrollo Capitalista en el Campo", Colombia Hoy, op.cit., 1978, pp. 299 and 303.

44. "Inter-American Committee for Agricultural Development (CIDA), Tenencia de la Tierra y Desarrollo Socioeconómico del Sector Agrícola: Colombia, Washington D.C., Panamerican Union, 1966 , pp. 11-14; A.O. Hirschman: Journeys towards Progress, New York, 1963 , pp. 93 ff.; J.J. Parsons: Antioqueño Colonization in Western Colombia, Berkeley, California, 1949 ; "ILO, Towards Full Employment, Geneva, 1970, Appendix 5, p. 388 (footnote 1).

45. For an extensive bibliography on which the ILO report supports its view on the current migrations flow, see ILO, ibid., Appendix 5, p. 388. (footnote 2).

46. ILO, ibid., Appendix 5, p. 388.

47. The thesis of stagnation was introduced by ECLA (see for instance Celso Furtado, Subdesenvolvimiento e Estagnação na América Latina, Civilização Brasileira, Rio de Janeiro, 1968), and it was mirrored by the writings of many analysts of the sixties. For a critique of this thesis, see Gilberto Matías, "Estado y Crisis Capitalista en América Latina", Revista Críticas de la Economía Política, Ed. El Caballito, Mexico, (n.d.)

48. The intermediate and capital goods industries in Colombia are mainly producers of luxury goods - (TV, radios, etc.), and it was on these sort of items that the expansion of the industrial sector in the sixties was supported. Actually, these goods should be classified as consumer durables and not as capital goods. The classification followed by Colombia's Statistical Office (DANE) is the I.S.I.C. of the United Nations (1963).

49. Mention must be made of the fact that all the sub-sectors other than the non-durable consumer goods sector, particularly the capital goods industry were rather new. The low initial base explains to a certain extent the observed high rates of growth especially over the period 1953-1960.

50. Cartón de Colombia S.A. iw owned 67 per cent by Container Corporation of America and 33 per cent by Colombian shareholders, while Productura de Papel S.A. (Propal), the second largest paper producer, is owned entirely by U.S. capital, 50 per cent by International Paper Corporation and 50 per cent by W.R. Grace and Company. Julio Silva Colmenares, Los Verdaderos Dueños del País: Oligarquía y Monopolios en Colombia, Fondo Editorial Suramérica, Bogotá, 1977, pp. 109-10.

51. Misas found in his study on concentration of the Colombian industry that the introduction of new products were particularly important in the sub-sectors producing processed foodstuffs, cotton manufactures, clothing, pharmaceutical products, electrical machinery, electrical appliances and electro-mechanical products. He also found that differentiation and sophistication of the product were very important factors in the expansion of all the above mentioned sub-sectors as well as in those producing spirits, beer, cigarettes and in the printing and publishing industry. See Gabriel Misas, Contribución al Estudio del Grado de Concentración en la Industria Colombiana, Ediciones Tiempo Presente, Bogotá, 1975, Table 10, p. 71.

52. On this see Alberto Corchuelo and Gabriel Misas, "La Internacionalización del Capital...", Part I, op.cit., pp. 2-12.

53. For an extensive theoretical development of this argument see Meier Merhav, Technological Dependence, Monopoly and Growth, Pergamon Press, Oxford, 1969, pp. 96-102 and 121-128.

54. The interrelationship between the size of the markets, technical progress, the degree of specialization and the scales of output to which equipment is geared have important implications for the process of growth. This has been analyzed by Edward Ames and Nathan Rosenberg in "The Progressive Division and Specialization of Industries", Journal of Development Studies, Vol. 1, July 1965.

55. The following studies show a high degree of concentration in the Colombian industry: Gabriel Misas, Contribución al Estudio del Grado de Concentración en la Industria Colombiana, Ed. Tiempo Presente, Bogotá, 1975; Marco Fierro, Concentración, Cambio Estructural y Empleo en la Industria Colombiana, Documento CEDE, No. 16, Los Andes University, October 1974; and Eduardo Wiesner, "Barreras Artificiales a la Inversión Doméstica y Extranjera en la Industria Nacional", Revista Banco de la República, Nos. 383 and 387, Bogotá, September 1959 and January 1960.

56. 70 per cent of the wages proper and 81 per cent of the social benefits.

57. World Bank, op.cit., 1972, p. 109.

58. M. Merhav, Technological Dependence, Monopoly and Growth, Pergamon Press, 1969, pp. 41-49.

59. M. Urrutia, "The Development...", op.cit., 1969, p. 150.

60. The export sector in the non-advanced capitalist economies provides the means of importing capital goods (as well as other goods). In that sense it is the equivalent of the producer's goods sector (Sector I) in the advanced economies, but it cannot replace it. In the advanced economies the expansion of Sector I almost always has positive effects on the expansion of Sector II through the increase of effective demand, thereby establishing a link of mutual stimulus between the two sectors of the economy. But in the less advanced economies, however, the expansion of the export sector not necessarily has positive effects on the industrial sector producing for the domestic market, since the links between the two sectors are usually very weak. This is particularly true of those firms producing for export under Plan Vallejo (see note 66).

61. Francisco E. Thoumi found in his study, "La Utilización del Capital Fijo en la Industria Manufacturera Colombiana", (Revista de Planeación y Desarrollo, Vol. X, No. 3, September-December 1978, pp. 11-95) that, although the average utilization of capacity in Colombia is above 80 per cent, the oligopolistic firms showed lower levels of capacity utilization due to the monopolistic structure of the product market. (p. 91).

62. Several studies have shown that the foreign exchange availability constitutes one of the main determinants of investment in Colombia. See among others: R.E. Bilsborrow, The Determinants of Fixed Investment by Manufacturing Corporations in Colombia, University of Michigan (Ph.D. Thesis), 1968; CIE-DANE, Contribución al Estudio del Desempleo en Colombia, Bogotá, 1971; Alberto Corchuelo and Luís B. Florez, "El Sector Externo y las Fluctuaciones de Corto Plazo de la Economía", Boletín Mensual de Estadística, No. 242, DANE, Bogotá, November 1971; Jorge Ospina Sardi, "Determinantes de la Inversión Industrial en Colombia", Revista Coyuntura Económica, Fedesarrollo, Bogotá, 1976.

63. The discriminatory incidence that import controls, which typically accompany a situation of scarcity of foreign exchange, have between large and small firms has been studied in the Colombian case by Carlos Díaz-Alejandro, Foreign Trade Regimes and Economic Development: Colombia, National Bureau of Economic Research, New York, 1976, Chapter VI.

64. Among others see A. Berry and F. Thoumi, "Import Substitution and Beyond: Colombia", World Development, Vol. 5, Nos. 1/2, 1977, pp. 89-109; L. Antonio Aspra, "Import Substitution in Mexico: Past and Present", World Development, Vol. 5, Nos. 1/2, 1977, pp. 111-123; and Rosemary Thorp, "The Post-Import Substitution Era: The Case of Peru", World Development, Vol. 5, Nos. 1/2, 1977, pp. 125-136.

65. One of the basic assumptions of growth models in a labour surplus situation (i.e. W.A. Lewis, "Economic Development with Unlimited Supplies of Labour", The Manchester School, Vol. 22, May 1954, pp. 139-92 and J.C.H. Fei and G. Ranis, "The Theory of Economic Development", American Economic Review, Vol. 51, September 1961) is that the development process involves a transfer of people from agriculture to other sectors, among which the industrial sector is assumed to be the most dynamic one for absorbing the labour surplus that migrates to the cities. On the sectoral distribution of the labour force in the process of development, see especially, Simon Kuznets, "Quantitative Aspects of the Economic Growth of Nations: Distribution of Income by Size", Economic Development and Cultural Change, Vol. 11, No. 2, January 1963, pp. 1-79.

66. This terminology corresponds to Carlo Benetti, La Acumulación de los Países Capitalistas Subdesarrollados, Fondo de Cultura Económica, Mexico, 1976, pp. 55 and 156.

67. The four main cities of Colombia account for more than 80 per cent of the total employment of the industrial sector. On the geographical concentration of Colombian industry, see: Rodrigo Manrique, "Localización Industrial y Proceso de Urbanización en Colombia", Boletín Mensual de Estadística, No. 224, DANE, Bogotá, March 1970.

68. See among others: Departamento Nacional de Planeación (DNP), Plan de Desarrollo Económico y Social 1970-1973, mimeo, Bogotá, 1970 and Guías para una Nueva Estrategia de Desarrollo, Ed. Andes, Bogotá, 1972; ILO, Towards Full Employment: A Programme for Colombia, Geneva, 1970; World Bank, Economic Growth of Colombia, op.cit., 1970.

69. ILO, op.cit., 1970, p. 161 and passim.

70. Marco Fierro, op.cit., 1974, p.35

71. Paulo Sylos-Labini, Oligopoly and Technical Progress, Harvard University Press, Cambridge, Massachusetts, 1969, pp. 186-7.

72. When exporters surrender foreign exchange accruing from an export they are given tax credit certificates (Certificado de Abono Tributario-CAT) in an amount equivalent to 15 per cent of the total value of the export. The certificates are granted for all exports other than coffee, petroleum and raw cattle hides. Certificados de Abono Tributario can be redeemed for cash a year after issue. CATs are negotiable and are traded freely at the Bogotá Stock Exchange, although at a discount of their face value. The 15 per cent rate of refund is subject to annual adjustments depending on the competitive position of Colombian exports in foreign markets.

73. Although drawbacks (refunds of duties paid) and temporary admission systems (conditional or total exemption from payment of duties) were already in force under Colombian law, under Decree 444 a new system of drawbacks was introduced which consists of a partial return of customs duties depending on the value added of the products exported. In addition, there are the temporary admission systems - the Plan Vallejo and the Modified Plan Vallejo. The Plan Vallejo, first introduced in 1959, provides that a manufacturer can import all the inputs needed for the production of exportable goods, free of tariffs and prior deposits and exempted from licensing requirements. Under a contract between the exporter and the government, the exporter provides assurance that he has obtained foreign financing for his imports, enters into an export guarantee, agrees to use special accounting and to submit regular reports to the government on the fulfilment of his contract. The Modified Plan Vallejo offers the same benefits as the Plan Vallejo, but only to a manufacturer who exports for a second or subsequent time. Although this Plan does not encourage new firms to enter the export market, its advantage is that it eliminates many of the administrative requirements involved in the exporters' contracts under the original Plan Vallejo.

74. The Export Promotion Fund (Fondo de Promoción de Exportaciones - PROEXPO) was created in 1967 as a coordinating agency to promote exports. It studies the export potential of selected products, grants technical advice to exporters, interests manufacturers in the possibilities of exporting, is able to finance expenses of storing exportable items, discounts export credits, serves as intermediary to export credits granted by international organizations, and undertakes promotional activities abroad.

75. The most important system of export financing available in Colombia is the so-called 'advance exchange surrender', (reintegros anticipados). This system operates as if it were an advance against the surrender of foreign exchange: the Banco de La República authorizes a commercial bank to lend the exporter a given amount of national currency with the export as the collateral. The loan is repaid with the pesos accruing from the export. Commercial banks can issue loans for a period of 180 days which may be extended up to one year. The interest rate is lower than the average rate for short-term loans and considerably lower than the 'street' rate. More importantly, the system provides the exporter with credit when he needs it. Given that the manufacturers are frequently unable to obtain short-term credit, the 'advance exchange surrender' contributes to the availability of working capital.

76. See Carlos Díaz-Alejandro, El Cambio de una Política de Sustitución de Importaciones a una de Promoción de Exportaciones en Colombia, Fedesarrollo, Bogotá, 1973.

77. Bejarano points out that in 1974, the enterprises with direct foreign investment accounted for 50.6 per cent of the total industrial exports, and for 61.94 per cent if foodstuff is excluded. Furthermore, in the most dynamic export branches of industry, foreign firms participated with 66 per cent of total exports of textiles, 89.9 per cent of chemical products and 96.7 per cent of asbestos, cement and the like. See Jesús Antonio Bejarano, "Industrialización y Política Económica", op.cit., 1978, pp. 250-1.

78. In the advanced capitalist economies, the long post-war period of accelerated economic growth brought about a long-term decline of structural unemployment and a situation of 'full employment of capital'. As a result of these favourable conditions, a new minimum standard of living has arisen accompanied by the consequent expansion of the market.

79. For an analysis of the cycles of the Colombian economy between 1967 and 1974, see Salomón Kalmanovitz, "Auge y Receso del Capitalismo Colombiano", Revista Ideología y Sociedad, No. 16, Bogotá, January-March 1976.

80. R. Albert Berry and Carlos Díaz-Alejandro, "The New Colombian Exports: Possible Effects on the Distribution of Income", A. Berry and R. Soligo (Eds.), Economic Policy and Income Distribution in Colombia, A Westview Replica Edition, Westview Press, Boulder, Colorado, 1980, pp. 155-156.

81. The unprecedented growth in industrial employment which occurred between 1971 and 1974 is related to the higher levels of capacity utilization registered in that period (over 80 per cent, reaching 84.3 per cent in 1973) and to the injection of new investment in the industrial sector between 1970 and 1973. On this see, "Encuesta Industrial de Fedesarrollo", Coyuntura Económica, Fedesarrollo. See also, Francisco E. Thoumi, "La Utilización del Capital Fijo en la Industria Manufacturera Colombiana", Revista de Planeación y Desarrollo, Vol. X, No. 3, September-December 1978, pp. 11-95; Gonzalo Giraldo and María Teresa Prada, "Evolución de la Inversión en la Industria Manufacturera 1958-1975", ibid., pp. 97-123.

82. See Banco de La República, Exportaciones Manufacturadas por Empresas con Inversión Extranjera Directa, July 1973, mimeo. In this study they found that in 1971, in seven of eight industrial sectors analyzed, firms which exported were much larger than those which did not. While the average for all exporting firms was 314 workers, for non-exporters it was 135 workers. Of all exports made by the firms included in the study, 57 per cent corresponded to those of 200 workers and more.

83. Albert Berry and Carlos Díaz-Alejandro, "The New Colombian Exports...", op.cit., 1980, p. 157.

84. This has been particularly acute since the early 1970s, when the government started to reform the tariff structure which during the import substitution phase had granted high levels of effective protection to certain branches of domestic production. For instance, in 1971, Congress approved the Ley 6 of 1971, which gave the government powers to modify the tariff structure and also the import regulations in accordance to development policy. In 1972, tariffs were reduced in those goods which fall under the Andean Pact Agreement and in 1973 a new system of tariffs was approved. In 1974, as part of an anti-inflationary policy, the government reduced tariffs of raw materials and intermediate goods in 2368 cases, eliminated altogether the list of 'forbidden imports' and transferred a significant number of items from the 'restricted import' list to the list of 'free imports'. The trend towards the liberation of imports continued during the two liberal governments that followed as part of a deliberate government policy of correcting the distortions in resource allocation created by the protectionist policies of previous years. On this see, A. Fuentes Hernández and R. Villaveces Pardo, "La Liberación Actual de Importaciones y su Perspectiva Histórica", Fedesarrollo, Coyuntura Económica, Vol. VI, No. 2, July 1976, pp. 87-98. On the levels of effective protection and their effects, see Fedesarrollo, Análisis de la Estructura de Control de las Importaciones en Colombia, Bogotá, 1974; L.J. Garay, Análisis de la Estructura Arancelaria de Colombia vigente en Diciembre de 1974, Bogotá, 1975; and Departamento Nacional de Planeación (DNP), Estructura de la Protección según el Arancel Colombiano y el Arancel Externo Mínimo Común en Junio y Diciembre de 1976, Documento DNP - 1.443-UEI, Bogotá, July 1977.

85. While in the early 1960s around 7 per cent of total imports were consumption goods, in 1976 this figure was 11.6 per cent. See Coyuntura Económica, Vol. VII, No. 1, May 1977, p. 18.

86. An interesting example is provided by the toy industry. Massive imports of Fisher Price Toys during Christmas of 1976 and 1977 coupled with the 'snobbery' of the Colombian middle-class consumer led to the closure of Juguetes DAME and other toy factories in 1978.

87. R.R. Nelson, T.P. Schultz and R.L. Slighton, op.cit., 1971, p. 83.

88. The real wages of manual workers were 32.9 per cent lower in 1977 than what they were in 1971, and in the case of non-manual workers they had decreased by 38.2 per cent over the same period. The deterioration of wages between 1971 and 1977 led to the Paro Cívico Nacional of the 14th of September 1977, in which organized and unorganized labour participated to protest against the general deterioration of real wages and standards of living. On this see Hernando Gómez Buendía, "La Encrucijada Laboral", Coyuntura Económica, Vol. VII, No. 3, Fedesarrollo, Bogotá, November 1977.

89. For a detailed analysis of wages in manufacturing over the period 1958-1970, see C. Sanjinés, Tendencias del Salario Real para Obreros y Empleados en el Sector Manufacturero Colombiano, 1958-1970, Centro de Estudios sobre Desarrollo Económico (CEDE), Documento No. 024, Los Andes University, Bogotá, June 1975.

90. See C. Sanjinés, ibid., pp. 37-53, particularly Tables 14, 15 and 16.

91. Industrialists have argued that the main cause of the recession was the drop in both the internal and external aggregate demand, which left them with enormous stocks of goods in the first half of 1975. See "Encuesta Industrial", Coyuntura Económica, Vol. VI, No 2, July 1976, pp73-86.

92. Albert Berry and Carlos Díaz-Alejandro, op.cit., 1980, p. 159.

93. On the low levels of investment that the industrial sector has shown since 1972 see, Jorge Ospina, "Determinantes de la Inversión Industrial en Colombia", Coyuntura Económica, Vol. VI, No. 4, December 1976. See also, Gonzalo Giraldo y María Teresa Prada, "Evolución de la Inversión Industrial, 1958-1975", Revista de Planeación y Desarrollo, Vol. X, No. 3, September-December, 1978, pp. 97-123. For instance, in 1976, according to Confecamaras only 14.8 per cent of the net investment was directed towards industry, while the rest was approximately equally divided between the financial and commercial sectors (La República Newspaper, 21st of April 1977, p. 5A). Similarly, the Bolsa de Bogotá stated in its annual report that of the total shares issued in 1976, 85.2 per cent corresponded to financial establishments and only 14.8 per cent to industrial establishments (6 firms). Bolsa de Bogotá, Actividades 1976, Annual Report, 1977.

94. Implicitly this view is reflected in ECLA's analyses during the 1960s. Similarly it can be found in C. Furtado, "The Industrialization of Brazil" in C. Veliz (ed.), Latin America and the Caribbean, A Handbook, Anthony Blond, London, 1968.

95. See L.J. Garay and G. Perry, "Algunos Interrogantes sobre las Perspectivas del Grupo Andino", Coyuntura Económica, Vol. VI, No. 4, 1976.

96. Rapid technological change in agriculture accounts for the sector's decline in employment. Analyses on Colombia's agricultural mechanization have shown that the use of machinery in agriculture reduces the average requirements of labour per hectare by 50 per cent. See Ministerio de Agricultura (OPSA), Consideraciones sobre el Papel de la Maquinaria en la Agricultura Colombiana, OPSA Document No. 51, March 1971 and J.E. Araya and C. Ossa, "La Mecanización en la Agricultura Colombiana", Fedesarrollo, Coyuntura Económica, Vol. 6, No. 2, July 1976, pp. 109-112.

97. A possible explanation for the magnitude of this rate is that the growth of industrial production in the 1950s attracted industrial workers into the cities where industry is located at a much faster rate than that at which it could absorb labour.

98. See R. Candelo, Structural Change in Colombian Employment, 1951-1968, Rice University, 1978, pp. 21-22.

99. This line of thought can be found in the World Employment Programme (WEP) of the ILO, when it is stated that "for the longer term the strategy for increasing employment would aim at a progressive shift of the growing labour force from agriculture to modern industry. To achieve this shift, the key factor would be the reduction of the capital intensity (i.e. capital cost per worker) of industrialization. At its present high average capital intensity, industrialization is not likely to generate more than a moderate fraction of the productive jobs needed to absorb the additional labour force, even if its indirect expansionary effects on employment in the allied services activities are taken into account. Much of the additional labour force will perforce drift into those segments of the services sector (e.g. petty trading and personal services) in which most of the present workers are already under-employed and earn a very low income, but perform work of a kind which contributes little to raising standards of living". (ILO, The World Employment Programme, Geneva, 1969, pp. 64-65). Moreover, according to the ILO's WEP "the three pillars of a strategy for fuller employment are, therefore, rural development, labour-intensive public work programmes, and the reduction of the capital intensity of industrialization". ILO, ibid., 1969. p.65.

100. For the theoretical development of this argument see: Geoffrey Kay, Development and Underdevelopment: A Marxist Analysis, The Macmillan Press Ltd., London, 1975, pp. 125-153.

101. The value of labour-power is equal to the value of the commodities that comprise necessary consumption (i.e. food, clothing, fuel and housing). However, as Marx writes, "the number and extent of his /the worker's/ so-called necessary wants, as also the means of satisfying them, are themselves the product of historical development, and depend therefore to a great extent on the degree of civilization /development/ of a country, more particularly on the conditions under which, and consequently on the habits and degree of comfort in which, the class of free-labourers has been formed". (K. Marx, Capital, Vol. 1, 3rd ed., George Allen and Unwin, London, pp. 149-150).

102. In the industrially advanced economies, the production of surplus-value is generally based on constant changes in the technical process of labour, which reflect themselves on increases in labour productivity. This form of production of surplus-value makes compatible increases in the exploitation of labour with increases in real wages, through increases in productivity in the sector producing wage-goods.

CHAPTER III

OPERATIONAL DEFINITION OF CAPITALIST AND NON-CAPITALIST ACTIVITY

As mentioned in Chapter I, in the context of the present study we have defined capitalist activity taken as a whole as those processes of labour which are mediated by capital, where capital is understood as a specific social relation of production that presupposes from the outset the existence of free wage-labourers (who sell their labour-power to the owners of the means of production) and comes into existence only in the course of the actual process of production whereby the labour-power, purchased by the owner of the means of production (capitalist), is consumed and surplus-value is produced, as well as actual produce. [1] In contradistinction, we have defined non-capitalist activity as those processes of labour which are not subjected to capital, i.e. processes of production carried on by independent workers, or even by small masters, in which the means of production are used primarily as means for accomplishing work, rather than as means for exploiting the labour of others. However, for the purposes of the empirical analysis in the rest of this study there is the need to delineate the empirical boundary between these two forms of economic activity. This means that a set of criteria for distinguishing a capitalist activity from a non-capitalist one has to be found and applied so that the workers of the urban economy can be categorized in one or the other sector.

In the literature on productive heterogeneity in which an attempt has been made to empirically define the so-called informal sector, the size of firm is generally the only indicator considered: 5 workers being the dividing line most commonly used to distinguish between the two sectors. [2] Some studies also include resident domestic servants

and exclude those workers who have some university education from their definition of informal or traditional sector. [3] Other studies have gone even further by suggesting that those workers who are not protected by labour legislation, and particularly those who earn less than the legal minimum wage, should be included in the informal sector. [4] These definitions, however, can be criticized either because they are too vague and general, or, more importantly, because of the methodological inconsistencies into which they fall when trying to define the capitalist or non-capitalist character of an economic unit by the level of education of the workers, the level of wages paid or the characteristics of the labour market in which labour is recruited.

By contrast, in the context of the present study we shall adopt Marx's specification of capitalist production as the main guideline for deciding when an economic unit should be considered capitalist in the Colombian context: "Capitalist production only really begins when each individual capitalist simultaneously employs a comparatively large number of workers and when, as a result, the labour process is carried on on an extensive scale, and yields relatively large quantities of products. A large number of workers working together, at the same time, in one place (or, if you like, in the same field of labour), in order to produce the same sort of commodity under the command of the same capitalist, constitutes the starting point of capitalist production. This is true both historically and conceptually". [5] By restricting the choice of criteria for distinguishing capitalist activity from its non-capitalist counterpart to the objective conditions of the work process and the form in which it is organized we are simply stating that the capitalist or non-capitalist nature of an economic activity can only be established through the characteristics of the enterprises in which the workers are engaged.

We shall employ five criteria for defining whether the enterprises are to be regarded as capitalist or non-capitalist. The first two criteria refer to the scale of operations and the sphere of economic activity of the enterprises. The word 'scale' means size. The scale of operations of an enterprise refers to the amount of output that particular combinations of capital and labour render when combined under certain technology in the production process. The sphere of economic activity, on the other hand, refers to the division and specialization of labour within society into specific productive tasks. In broad terms, the different types of producers that are found within modern capitalist societies can be grouped under the headings of production, commerce and services.

In terms of the goal of maximization of profits each economic unit has an optimum size as well as a minimum size, below which the enterprise will be unprofitable in a capitalistic sense and, therefore, will not operate. Both the optimum size and the minimum size of an enterprise will be decided by the technical process of production and/or by the size of the market for the product or service concerned. Technical factors make their impact on the supply side, since they usually involve some increase or reduction in costs which directly affect the profitability of the enterprise. Market factors are effective on the demand side, dictating the size of the business by restricting its growth to the point where, at a given price, the supply satisfies the demand for the goods or services concerned.

Among the technical factors that will determine the minimum scale of operations of economic units are (i) the nature of the process involved in the production of particular goods (e.g. oil refinery versus clothing industry), (ii) the increased scope for the division of labour within the work process (e.g. the motor vehicle industry

depends on the fullest use of the division of labour), (iii) the advantages derived from increasing the size of the business, known as economies of scale,[6] and (iv) the scope for achieving a full rate of capital utilization known as the 'lowest common multiple' principle.[7] The size of the market, on the other hand, is also a very important determinant of the scale of operations of an enterprise. Where the market is limited, the size of the production unit will be small and, therefore, small-scale methods of production will be used. By contrast, where goods are in wide demand or are essential for everyday life, large-scale methods of production will have been devised to satisfy the market. Thus, high quality jewellery would not be produced using large-scale methods of production whereas toothpaste would. It must be noted, however, that although there is a positive relationship between scale of operations and capital intensity of enterprises, one does not imply the other.[8]

Bearing these considerations in mind for the purposes of our operational definition of capitalist and non-capitalist enterprises, we shall start by assuming that an enterprise should have a certain minimum scale of operations before it can be taken as a profit-oriented capitalist enterprise. However, there is a major drawback to the sole use of this first criterion when the purpose is to determine whether a relatively small business can be classified as a capitalist or non-capitalist orientated enterprise. This is that whatever scale of operations is chosen as the dividing line between different forms of production, that magnitude could have a different meaning depending on the type of economic activity in which the enterprise is involved. There are two reasons for this: (a) differences in the nature and general characteristics of the work process associated to each type of economic activity and (b) differences in the nature and magnitude

of the economies of scale associated with each type of economic activity.[9]

It is thus evident that a second criterion regarding the sector of economic activity in which the enterprise operates is required. We are concerned with the different nature of production, commerce and services as sectors of economic activity in general. By introducing this second criterion we are saying that the scale of operations of an enterprise cannot be assessed without consideration being made of the nature of the activity in which that enterprise is involved. This is particularly relevant, when the objective is to distinguish between capitalist and non-capitalist oriented enterprises; a distinction which implies a qualitative difference in the nature and organization of the work process between enterprises rather than a difference in the degree of development among homogeneous enterprises.[10]

A third criterion considers the division of labour as a separation of occupations, both within firms and by firms. To explain the relevance of this criterion for the purposes of our classification, it is necessary to describe further what we mean by it.

The division of labour <u>within the firm</u>, presupposes a certain minimum scale of operations before specialization and division of labour can take place. Similarly, there is a minimum amount of capital required before the employer can liberate himself from manual work, in order to undertake and/or hand over to a particular kind of wage-earner (non-manual worker) certain tasks, such as supervision, administration, accountancy and the like. Thus, there are two distinct, but related, aspects to the technical division of labour within firms: (i) the differentiation of tasks and specialization of the manual workers in the process of work in terms of specific occupations and (ii) the differentiation between administrative

functions and the functions of manual workers involved directly in the work process. We shall assume here that within the capitalist enterprises a certain degree of specialization and division of labour exists. Conversely, we also presume that the typical non-capitalist business is carried on mostly by workers engaged in manual occupations who work in establishments where the work process has not been broken down into a series of separate activities, each performed by a separate worker or group of workers.

The division of labour by firm is of a more general character. As the size of the whole market expands, it becomes possible for new, specialized firms to set up in business and provide services such as advertising, legal advice, computer services, marketing exports, repair and maintenance services, and so on, whereas previously each firm tried to provide most of such services individually. Thus, while initially the division of labour within a firm can take the form of employing specialized workers, later on, as expansion progresses, they may increasingly rely on contracts with other firms which have started to handle certain parts of the operations of the original firms. This progressive specialization and division of labour within society, has given rise to a high number of relatively small firms, including self-employed professionals, who have set up in business offering highly specialized services and who rely on contracts with other firms. Thus, for the purposes of our definition we shall assume that those highly specialized services which are carried out by very small firms, and, particularly, by self-employed professionals are an extension of the division of labour into higher levels of specialization closely associated with the capitalist sector of the economy.

The fourth criterion for distinguishing a capitalist enterprise from a non-capitalist one requires the existence of one place where a

relatively large number of workers are assembled under the command of the same capitalist. In other words, we are assuming that the work process in capitalist enterprises is generally carried out in a fixed place, which is either owned by the enterprise or for which a rent has to be paid and is not a home. By insisting that most of the workers of capitalist enterprises must operate in a fixed place, we are distinguishing them from the family type enterprises which usually operate in the owner's home and are mainly based on family labour. The capitalist enterprises may have, however, part of their labour force working outdoors given the nature of certain occupations, such as transport, construction, sales, etc. Similarly, these cases should be distinguished from those non-capitalist businesses, especially petty trade and certain types of services, which are permanently located in the streets.

Last, but not least, our fifth criterion is that of the form of employment of labour. In our concept of capitalist enterprises the typical and dominating form of employment is wage-employment. In contrast, the characteristic non-capitalist units rely mainly on self-employment and family labour as the most typical forms of employment. However, that is not to say that some non-capitalist businesses may not indeed include some hired hands. This sole factor, however, does not suffice for the establishment of the proper capitalist relation of production: "For the latter can achieve no more than a nominal existence unless the capitalist can employ at the very least enough workers to ensure that the suplus-value he produces will suffice for his own private consumption and to fill his accumulation fund". [11] For the moment, however, we shall say no more about the forms of employment and payment to labour, a matter which is fundamental to our analysis and to which we devote Chapter IV.

To summarize, we have indicated that the typical capitalist unit of production must have a certain minimum scale of operations, which we argued is not independent of the sphere of economic activity in which it operates. We have assumed the existence of a certain degree of division and specialization of labour, both within firms and by firms. We have also assumed that the labour process is predominantly carried out by wage-labourers, most of whom are assembled together in a fixed place. In contrast, we have assumed that the scale of operations of the non-capitalist business is smaller than that required to operate in a capitalist form. As regards the degree of development of specialization and division of labour within the workshop, we stated that in non-capitalist businesses it is well below that which is required for the existence of capitalist production properly, i.e. a division of the labour process into various partial operations linked through the sale of labour-power by the workers to the owners of the means of production. That is not to say, however, that within non-capitalist businesses a form of co-operation between workers does not exist or that non-capitalist activity does not occupy a place in the division of labour of the economy in general. We also indicated that the characteristic non-capitalist unit of production is mainly represented by two forms: (i) self-employment and (ii) family-type businesses. Finally, we suggested that the predominant place of work associated with this type of economic unit is either a 'home' or the 'street'.

We must emphasize, however, that these criteria are not intended to define a 'pure' and characteristic type of capitalistic enterprise, but rather to help us in distinguishing capitalist enterprises from non-capitalist ones. Additionally, attention must be drawn to the fact that not one of these criteria taken on its own will suffice to determine whether or not a relatively small enterprise is to be

considered as a capitalistic enterprise. Rather, it is the combination of these features, some more crucial than others as shall be seen later on, that helps to distinguish between the different types of economic activity that co-exist within the urban economy of Colombia.

Having discussed our criteria for distinguishing capitalist enterprises from non-capitalist businesses, it is necessary to find a set of appropriate statistical indicators in CEDE's Survey of Employment and Poverty. [12] We must also specify the form in which these indicators should satisfy the criteria, before classifying the workers of the Colombian urban economy into those who are employed in the capitalist sector of the economy and those who are engaged in non-capitalist activity. Although the main aim of the rest of this Chapter is definitional in nature, we shall first briefly describe CEDE's Employment and Poverty Survey, with emphasis on highlighting the main advantages it presents in relation to traditional surveys of employment. [13]

CEDE's survey of Employment and Povery was carried out during the months of November and December 1977 in the four largest cities of Colombia: Bogotá, Cali, Medellín and Barranquilla. The basic unit of analysis in the survey was the household and <u>all</u> the workers in it. There were 1124 households and 2246 workers surveyed, each survey consisting of two questionnaires. The household questionnaire obtained information on housing conditions, household consumption, personal characteristics of household members, work situation of the active population and, finally, the form and magnitude of all sources of income other than labour income. By means of the household questionnaire, <u>all</u> the workers in the household were identified according to the 'broad' definition of worker: anyone who, during the

10 month period of reference immediately preceding the issuing of the questionnaire, i.e. January to October 1977, had undertaken some activity for the purpose of obtaining income either in monetary terms or in kind. However, the workers finally selected for the 'workers questionnaire' were those who fulfilled one of the following two conditions: (i) they earned more than 4,000 Col. pesos in the period of reference or (ii) the non-paid family workers included those who had worked more than 1 month during the same period. The 'workers questionnaire' obtained detailed information about the main economic activity in which the workers were engaged, the conditions of work, the form and magnitude of incomes obtained by the workers and a brief occupational history of each worker. Thus for every household, the survey has information about <u>all</u> the workers it contained at the time, about <u>all the sources</u> of income and a survey on the work activities of all workers who satisfied the definition of worker in the 'narrow' sense mentioned above. The main features of the sample technique used in the survey is summarized in Appendix A.

One of the main aims of the Survey of Employment and Poverty was to re-assess the validity of conventional measures of employment. The categories used in conventional surveys of employment are based on the employment structure of the developed countries where the labour force, almost in its totality, is engaged in the capitalist sector as wage labourers.[14] However, in the context of LDCs the basic assumptions inherent in the conventional measures of employment and unemployment are not applicable, in that they do not allow one to recognize the heterogeneous forms of employment characteristic of the urban areas of LDCs. Thus, the understanding of the employment structure in LDCs has been obscured by the use of concepts like underemployment which lump together an undifferentiated mass of

workers with only one common feature: that they are not wage-earners in the modern sector of the economy. In order to overcome this type of problem the Survey of Employment and Poverty redefined certain basic concepts for measuring employment, in an attempt to identify more comprehensively the different types of work-activities and workers that exist within the urban economy.

Definition of Worker

The conventional definition of a worker arises from a dichotomy which separates people into those who 'worked most of their time last week' from those whose main occupation last week was one not classified as work.[15] The main problem that arises from such a definition of 'worker', is that a worker is classified on the basis of the activity which he considers to be 'important'. This definition is not only subjective but also excludes many people who are actually working, since it precludes part-time jobs, sporadic jobs or occasional jobs. In the context of LDCs many jobs are not stable, occasional jobs are common and, most importantly, many activities culturally or socially are not considered jobs or even work by many people - including the ones who do them.[16] However, in LDCs these forms of work can generate a significant part of family income, particularly when the main source of income is near or below the minimum required for the maintenance of the family unit at subsistence levels.

Taking into account the above considerations, the definition of a worker was modified in the survey of 'E & P' by the introduction of three elements: (i) the 'age limit' that defines the active population was reduced to 10 years of age instead of the 14 years of age limit used in conventional surveys; (ii) the period of reference was extended from one week to a considerably longer period (10 months); and (iii) the hours of work and the income derived from it were

selected as crucial elements for identifying a worker instead of someone's subjective view of what 'work' constitutes (i.e. the person answering the survey). A major advantage of defining 'worker' in accordance to the hours worked and the income so derived, is that different types of workers can be recognized instead of lumping them together into the category of 'occupied' as if they were homogeneous.

It is evident, that the definition of 'worker' in the survey of 'E & P' is very different from the one that arises from the concept of an economically 'occupied person' which is used to define a worker in conventional terms. Indeed, if the results of the survey of 'E & P' are compared with the ones that would have been obtained if the conventional measures of employment had been applied,[17] a striking difference appears in relation to the size of the active labour force: 10 per cent.[18] This 10 per cent represents no less than 255,000 workers in the total labour force of the four main Colombian cities. Conventional surveys, therefore, appear to 'hide' a large number of workers, because the concepts inherent to these surveys do not allow for the existence of heterogeneous forms of employment.

Definition of Work Activity

Conventionally the structure of employment is described in terms of the following three factors: economic sector, occupation and occupational category.[19] Such information has generally been collected by means of household surveys and censuses. This form of describing the employment structure relates to the reality of developed countries where the majority of the working population is employed as stable wage-earners. In a LDC like Colombia, however, where a large proportion of the working population is not engaged as wage-earners, the conventional form of describing employment is inadequate, since it

does not reflect the heterogeneous nature of the jobs and economic units which exist in non-advanced economies. For instance, the following two elements are ignored in the conventional description of the employment structure. Firstly, the possibility that an occupied person may have more than one job. Secondly, and more importantly, it does not recognize the differences that exist among similar jobs but which are carried out in economic units that are different in nature, i.e. capitalist or non-capitalist orientated. In this respect, the attributes of the occupation of 'dress maker' (i.e. conditions of work, assigned tasks, work-hours, income received, degree of control over the work process, and so on) may be very different indeed if the occupation is carried out by a wage-earner in a large capital intensive clothing factory, than if it is carried out by a wage-earner in a small craft shop (an owner and two helpers) or as self-employed.

To overcome these limitations, relevant in the context of LDCs, the notion of work activity, was considered in order to obtain a more accurate description of the structure of employment. Under this term, two elements are taken into account: a job and the particular economic unit in which it is carried out. Thus, the heterogeneous composition of jobs in LDCs can be recognized by relating every job to the particular form of production or organization in which it is done. Therefore, when a worker is describing the conditions of his main work activity, he is referring to his activity in the particular establishment in which he works and not in general. In addition, workers engaged in more than one work activity can be detected, whether or not they have the same occupation in both of them (e.g. engineer) or the same occupational category (e.g. wage-earner). Differentiation may be also made between the main activity and secondary ones.[20]

The Household and its Workers as the Basic Unit of Analysis

Although conventional employment surveys and censuses are carried out in the households, the unity of information between the workers and their households is not maintained. The information about households and workers is aggregated separately. Furthermore, the conventional surveys of employment carried out in Colombia are based on a random selection of workers and therefore usually do not include more than one worker per household, to whom the specific questionnaire on employment is directed. [21]

In contrast, in CEDE's 'E & P' survey the basic unit of analysis was the household and all the workers in it. This is essential for the analysis of Chapter V, where the conditions of reproduction of the labour force at the level of the household are analyzed in relation to the various sources from which the total household's income is obtained: non-labour and labour incomes. The latter is broken down again according to the nature of the activity where the income is generated: capitalist or non-capitalist.

It is important to emphasize that without the type of information gathered by this particular survey the empirical analysis of the following two Chapters would not havebeen feasible. This is not only because conventional household surveys do not gather enough information on the specific nature of the jobs and economic units in which the workers are engaged but also because conventional household surveys do not provide information on the household and each of the workers in it, since they usually only include one worker per household chosen at random, to whom the specific questionnaire on employment is directed.

In short, the three main advantages that CEDE's Employment and Poverty Survey presents over others surveys can be summarized as follows. Firstly, the notion of 'worker' has been expanded so that it includes

workers in fractional, sporadic and occasional jobs. Secondly, the introduction of the concept of 'work activity' allows for a better differentiation among diverse types of workers in relation to the characteristics of the establishments in which they work. Thirdly, it provides information about the workers and their households, as part of the same sample.

The next step in our sectorization involved the selection of indicators from CEDE's Survey of Employment and Poverty. Five indicators were chosen and defined according to the criteria listed above. In the light of the evidence provided by the survey, we shall now examine the indicators and specify the form in which they must satisfy the criteria for distinguishing a capitalist activity from a non-capitalist one.

(i) Scale of Operations and Sector of Economic Activity

The size of firm as denoted by the number of workers is widely accepted among economists as a good proxy of an enterprise's scale of operations, although no precise and universally accepted definition of size groups exists among analysts. In particular, there is lack of clarity in the definition of small-scale activities. Moreover, no clear cut basis exists for distinguishing the small-scale capitalist enterprises from non-capitalist ones (e.g. cottage, family business and the like) except possibly to arbitrarily classify them under those units employing less than ten or five workers. [22]

As the U.N.I.D.O. report on small-scale industry in Latin America (1969) [23] showed, Latin American countries do not have a uniformal definition of small-scale industry, either in their censuses and surveys or in their assistance programmes. The guidelines used by the individual Latin American countries when formulating a definition of size of firm include the number of employees and the amount of

fixed capital; sometimes the value of production or sales is also employed.[24] However, this same study also recognized that the variety of criteria used in defining small-scale industry is not independent of the general conditions in a particular country. Thus, "industries considered small in highly developed countries with big markets might seem medium sized or even large in developing countries. In the United States, for example, an enterprise is considered small if it employs fewer than two hundred and fifty persons. In Japan, where this sector has received special attention, a small-scale industry is defined as one employing fewer than three hundred persons and having a capital of less than U.S.$28,000. In contrast, in Trinidad and Tobago, a country with a much smaller population, an enterprise employing twenty five or more persons is considered large".[25] The guidelines used by the Colombian Central Statistical Office and other institutions in their industrial, commerce and service censuses and surveys are illustrated in Appendix B.

In Colombia, official definitions of industry exclude all those firms which employ 4 workers or less and/or produce a yearly total output worth less than 24,000 Colombian pesos, while referring to them as the sector artesanal (i.e. handicraft sector). The Banco Popular, a government owned bank that provides financial aid to small industry, on the other hand, refers to establishments with less than 10 workers as artesanales. Similar criteria, however, do not exist for establishments in commerce or services due to the different nature of those activities. DANE's Censuses of Commerce and Services include all establishments irrespective of the number of workers employed or the value of their output.

Although any definition of size is to a certain extent aribtrary, for the purposes of our sectorization the establishments were classified

into three size groups as follows:

(a) very small - those with 4 workers or less;

(b) smallish - those with 5 to 9 workers;

(c) small to large - those with 10 workers or more.

Bearing in mind that our intention is to distinguish between capitalist and non-capitalist businesses and that size of firm is only one of the five indicators we shall use in achieving this aim, we chose the above definition of size for the following reasons. Firstly, it was assumed that the scale of operations in enterprises employing 4 workers or less was most likely to be below that which is required to operate in a capitalist form as defined by our criteria. Secondly, by the same token it was also assumed that enterprises operating with at least 10 workers were large enough to be associated with capitalist enterprises, though they may be relatively small and backward in relation to the typical capitalist enterprise. Thirdly, although the same may apply to enterprises operating with 5 workers or more, the intermediate size group of firms (5 to 9 workers) was defined in order to facilitate the identification of family-type enterprises, in which the size of the enterprise is dependent on the family size.

However, as mentioned earlier on, the size of an enterprise is a meaningless criterion for distinguishing between capitalist and non-capitalist businesses, unless it is related to the sector of economic activity in which the enterprise operates. In fact, given the nature of the work process in commerce and services, it is perfectly possible to run a capitalistic enterprise with a few workers while this might not be possible in production, since the relationship between scale of operations and the size of firm is much closer in the case of production than it is in commerce or services. This, of course, depends on both the type of goods and services offered by particular enterprises and

the market served by their activities.

Thus, businesses such as retail trade in motor vehicles and equipment; drugs, chemicals and allied products; gasoline service stations; jewellery stores; finance, insurance and real estate; and professional and related services should be expected to be carried out in a capitalist form due to the amount of capital required to carry them, even though in terms of the numbers of workers employed they might appear to be very small in size. In contrast, one should expect non-capitalist activity to be largely concentrated in businesses which are labour intensive by nature and require small outlays for their operation due to the type of product or service they offer and/or the rapid turnover of their operations, e.g. retail food trade, miscellaneous street vendors, automobile repair services, personal services such as shoe repair shops, cleaning services, gardeners, and the like.[26]

In addition to the size of firm, then, the sector of economic activity in which the establishments operate must be considered. For the purposes of our sectorization we defined the sectors of economic activity as follows:

(a) production - refers to those processes of labour in which a determinate raw material (provided directly by nature or previously altered by labour) is transformed by means of work into a determinate product either by changing its form or its spatial location, thereby adapting it to human needs. The sub-sectors of production are agriculture and extractive industries such as fishing, hunting, mining and quarrying; manufacturing industries; construction industry; the provision of public utilities such as gas, electricity

and water; transportation, storage and communications.

(b) commerce - refers to those processes of labour which entail primarily the buying and selling of commodities. The sub-sectors included in this group are wholesale and retail trade; restaurants and hotels.

(c) services - refers to those processes of labour that provide consumer or producers goods which are mainly intangible and usually consumed at the same time that they are provided. The sub-sectors included in this group are finance, insurance and real estate; central and local government; professional and businesses services; community, social and personal services.[27]

Table 12 overleaf illustrates the distribution of the work force in Colombia's four major cities in accordance to the size and sector of economic activity of the enterprises in which they are engaged. In the four major cities of Colombia, in November 1977, 42.7 per cent of the workers were engaged in production, 26.8 per cent in commerce and 30.5 per cent in services. However, as it can be observed in Table 12, the relative importance of establishments of different size varies between the three sectors of economic activity. In both production and services, around 60 per cent of the total number of workers were engaged in establishments employing 10 workers or more while, in the case of commerce, about the same proportion was engaged in establishments employing 4 workers or less.

However, these results are not surprising given the specific nature of the work process involved in each type of economic activity. In commerce, for instance, although the level of output (e.g. sales)

Table 12: Percentage Distribution of Labour Force engaged in different Sectors of Economic Activity, by Size of Firm: Bogotá, Cali, Medellín and Barranquilla, 1977

Size of Firm	Sector of Economic Activity			Overall Total
	Production	Commerce	Services	
Very Small Firms (1 to 4)	29.4	58.7	28.0	36.8
Smallish Firms (5 to 9)	11.6	25.9	9.6	12.1
Small to Large Firms (10 and more)	59.0	15.4	62.4	51.1
Total	100.0	100.0	100.0	100.0

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

does depend on the number of persons employed (whether wage earning or not), the relationship is not as close as in production because the volume of sales per worker varies widely with the type of products being sold (i.e. motor vehicles, groceries, apparel, and so on), whereas in production the relationship between output and number of workers employed depends much more on the technical constraints imposed by the production process.

Thus, given the nature of commercial activity it cannot be assumed that all the establishments of very small size are non-capitalist. Similarly, the same can be argued in the case of very small establishments which operate in the service sector, particularly in relation to those businesses which offer highly specialized professional services. In contrast, in the case of production, profitable operation of modern firms would tend to require a certain minimal size well above that required in commerce or services for organizing the work process in a capitalistic form. However, with the evidence available so far very

little can be said in this respect. We must therefore consider our other three criteria for determining whether the enterprises in which the workers are engaged are to be regarded as capitalistic or non-capitalistic in nature.

(ii) Technical Divison of Labour (TDL)

Here an attempt is made to highlight some of the differences that exist regarding the division of labour between firms of different sizes, operating in the various sectors of economic activity. For this purpose, the workers were categorized into two groups in accordance with their technical functions within the work process as follows:

(a) manual workers - production workers; salesmen and commerce workers; service workers.

(b) non-manual workers - technical and non-technical professionals; managers, directors and civil servants; administrative and clerical personnel.

As stated earlier, there are two related but distinct aspects of the division of labour within firms: (i) the differentiation between non-manual and manual occupations and (ii) the differentiation of tasks and specialization of manual workers in terms of occupations within the labour process. This second aspect refers to the fact that large firms engaged, for instance, in production should be expected to have not only production workers but also salesmen and service workers with specific functions. In Table 17 overleaf, some contrasting differences regarding these two aspects of the division of labour can be observed among the different size groups of enterprises operating in each of the three sectors of economic activity.

Table 13: Division of Labour by Sector of Economic Activity and by Size of Firm: Bogotá, Cali, Medellín and Barranquilla, 1977

	Production				Commerce				Services			
	Very Small	Smallish	Small to Large	Total	Very Small	Smallish	Small to Large	Total	Very Small	Smallish	Small to Large	Total
Non-manual Workers	8.0	19.1	25.3	19.0	2.3	24.5	41.0	14.2	34.4	56.2	65.4	57.3
- Technical/non-technical professionals	4.7	8.5	11.8	6.2	0.3	3.6	5.0	0.9	27.3	31.8	38.9	31.9
- Administrative Personnel	3.3	10.6	13.5	12.8	2.0	20.9	36.0	13.3	7.1	24.4	26.5	25.4
Manual Workers	92.0	80.9	74.7	81.0	97.7	75.5	59.0	85.8	65.6	43.8	34.6	42.7
- Production Workers	85.8	64.4	63.0	70.0	6.0	10.8	16.0	8.9	33.3	24.4	14.7	20.2
- Commerce Workers	5.1	11.2	5.7	6.7	86.5	51.1	35.0	69.2	5.5	1.6	2.9	3.0
- Service Workers	1.1	5.3	6.0	4.3	5.2	13.7	8.0	7.7	26.8	17.8	17.0	19.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

In relation to the first aspect of the TDL, it can be noted from Table 13 that in all sectors of economic activity the proportion of non-manual workers to total workers rises with the size of the establishments. However, this trend has a different meaning depending on the sector of economic activity in which the enterprise operates. In the service sector, for instance, the non-manual workers represent a high proportion of the total number of workers in all size groups of firms: they constitute 34.4 per cent, 56.2 per cent and 65.4 per cent in the very small, smallish and small to large size groups respectively. These ratios are largely explained by the nature of the activity itself. In effect, certain services are performed almost exclusively by non-manual workers, e.g. banks, financial services, insurance companies, governmental services, educational institutions, professional services and so on. Thus, it is not surprising to find that even in the small establishments of services, 34.4 per cent of the workers are engaged in non-manual occupations. Furthermore, almost 80 per cent of those workers are professionals who offer highly specialized services.

In the other two sectors of economic activity, however, the contrast regarding this aspect of the TDL is much more noticeable between very small establishments and the other size groups. In the very small establishments of production and, particularly of commerce, the proportion of non-manual workers to total workers is very small: 8.0 per cent and 2.3 per cent respectively. In contrast, the smallish and small to large group of establishments show a much higher ratio of non-manual to manual workers. It can be seen, however, that the proportion of non-manual to manual workers increases with size more rapidly in commerce than in production. This is mainly due to the fact that in production the economies of scale regarding non-manual occupations can be carried much further than they can in the commerce

sector given the different nature of the labour processes.

As regard the specialization and division of labour by occupations of the manual labourers within the work process, a contrast can be noticed again between the very small establishments operating in production and commerce and the rest. As may be observed in Table 13, 85.8 per cent of the total workers engaged in very small establishments of production are manual production workers and 86.4 per cent of the total workers engaged in very small establishments of commerce are manual commerce workers, whilst in the other seven groups of establishments there is a much greater dispersion of the workers by occupations. The service sector is again an extreme case, given the heterogeneous nature of the activities it comprises.

On the whole, however, the evidence contained in Table 13 seems to suggest that contrasting differences do exist between the very small establishments and the rest, particularly in the sectors of production and commerce, regarding the two aspects of the division of labour being considered. To a large extent, this can be explained by the fact that the small scale of operations in these establishments precludes the development of the division of labour within the work process and, therefore, in these businesses the administrative functions and the functions of the manual labourer are usually performed by the same person.

(iii) Location of the Work Process and Forms of Employment

We shall now consider our last two indicators, namely, place of work and the occupational category of the workers. As we shall see, these two indicators are crucial for distinguishing between capitalist and non-capitalist units of economic activity.

On the one hand, a distinction was made between three basic work places:

(a) fixed place - if the activity of work is performed in a place different from a home and for which a rent has to be paid, if it is not owned by the firm.

(b) home - if the work activity is performed in a home, either in (i) the same place where the workers live, which usually implies a sacrifice of living space, or (ii) other homes.[28]

(c) street - if the work activity is performed outdoors most of the time, either in (i) a fixed location or (ii) varying position of the work place continuously.[29]

The overall distribution of the workers by place of work in the four largest cities of Colombia, in November 1977, was as follows: 63 per cent worked in a fixed place, 19 per cent worked in a home and 18 per cent worked in the street. The relative importance of these different work places, however, varies according to the size of firm and sector of economic activity in which the enterprise operates. Among the workers engaged in very small establishments, the home is the more representative place of work, although fixed place and the street are quite significant. By contrast, in the smallish and small to large size groups of firms the majority of workers accomplish their tasks in a fixed place although, due to the nature of certain occupations, e.g. transport and distribution, construction, salesmen, there is an important proportion of workers who work in the street, especially in the small to large size group of establishments. In the smallish size group of establishments, however, there is a significant proportion of workers that still work in a home, especially in production (18.7 per cent) and commerce (22.8 per cent). Among the smallish size group of establishments, then, place of work proved

to be a very useful indicator for distinguishing family-type enterprises from capitalistic units.

On the other hand, a distinction was made between four basic forms of employment:

(a) wage-earner - those who sell their labour-power for a wage.

(b) self-employed - those who do not sell their labour-power but the product of their work in the form of goods or service. They are by definition worker and employer at the same time, and might or might not employ family labour.

(c) non-paid family worker - those who receive their payment in kind and not in monetary terms; generally this type of worker is a relative of his employer.

(d) employer - those who buy labour-power for a wage.

In November 1977, the overall distribution of the workforce by form of employment in Colombia's four largest cities was as follows: 65.4 per cent of the workers were wage-earners, 9.2 per cent were employers, 20.5 per cent were self-employed and 4.9 per cent were non-paid family workers. It should be noted, however, that although wage-employment is the typical form of employment associated with capitalist enterprises and self-employment and family labour are the typical forms of employment associated with non-capitalist businesses, none of these forms of employment can be associated exclusively to a particular form of production. Nonetheless, what we would like to emphasize here is the varying importance that these different forms of employment have among establishments of different size.

The contrast in the employment structure between establishments employing less than five workers and the rest is quite sharp. While in the very small establishments 51.8 per cent of the workers are

self-employed and 9.0 per cent are non-paid family workers, in the smallish and small to large size groups of establishments the wage-earners constitute the majority of workers: 67.9 per cent and 94.3 per cent respectively. It should be noted, however, that around 27 per cent of the non-paid family workers are engaged in establishments employing five to nine workers. These workers are most probably associated to family type enterprises, accounting for 10.8 per cent of the labour force engaged in smallish size firms.

In the following pages, a more thorough examination of these indicators is undertaken in conjunction with the sector of economic activity, size of firm and the degree of division of labour between manual and non-manual occupations. For the sake of exposition, however, the evidence has been divided into three parts (Tables 14 to 16), each one corresponding to a particular size of firm.

a) Establishments employing 4 workers or less (very small establishments.

As can be observed from Table 14 overleaf, production shows the lower proportion of workers in a fixed place (25.1 per cent), compared to that of commerce (30.0 per cant) and services (39.1 per cent). Among the workers engaged in very small production units 50 per cent are self-employed and a similar proportion work in a home. This place of work is associated with 31.5 per cent of the wage-labourers, 54.5 per cent of the self-employed and 57.8 per cent of the employers working in very small production units. Of the labourers who work in the street (24 per cent), 40 per cent of them work as self-employed and a third as wage-labourers. Among the labourers who work in a fixed place (25 per cent), 43.6 per cent work as self-employed and 40.2 per cent as wage-labourers. It is worth noting, however, that among the workers who work in very small production

ble 14: Occupational Category by Sector of Economic Activity and Place of Work: Establishments Employing 4 Workers or Less (Bogotá, Cali, Medellín and Barranquilla, 1977)

A. Vertical Percentages

cupational Category	Establishments employing 4 workers or less															
	Production				Commerce				Services				Overall Total			
	Fixed Place	Home	Street	Total	Fixed Place	Home	Street	Total	Fixed Place	Home	Street	Total	Fixed Place	Home	Street	Total
ge-labourer	40.2	16.7	33.9	26.9	39.2	4.4	7.9	15.9	45.8	38.1	14.2	37.5	41.7	17.0	17.5	24.6
nily worker	4.4	11.6	-	7.0	13.7	16.8	8.9	13.5	4.2	3.6	3.6	3.8	8.3	11.7	5.2	9.1
lf-employed	43.6[1]	52.9	49.2	49.5	32.4[2]	62.0	75.3	57.1	26.4[3]	51.2	78.6	45.6	33.5	56.0	67.0	51.8
ployer	11.8	18.8	16.9	16.6	14.7	16.8	7.9	13.5	23.6	7.1	3.6	13.1	16.5	15.3	10.3	14.5
tal	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
n-manual/Total kers Ratio (%)	11.8	7.2	4.6	7.7	5.9	0.0	1.9	2.3	48.6	23.8	25.0	33.7	20.2	8.4	6.2	11.4

B. Horizontal Percentages

upational ategory	Establishments employing 4 workers or less															
	Production				Commerce				Services				Overall Total			
	Fixed Place	Home	Street	Total	Fixed Place	Home	Street	Total	Fixed Place	Home	Street	Total	Fixed Place	Home	Street	Total
e-labourer	38.3	31.5	30.2	100.0	74.1	11.1	14.8	100.0	47.8	46.4	5.8	100.0	51.5	31.1	17.4	100.0
ily worker	15.8	84.2	-	100.0	30.4	50.0	19.6	100.0	42.8	42.8	14.4	100.0	27.8	58.3	13.9	100.0
f-employed	21.6	54.5	23.9	100.0	17.0	43.8	39.2	100.0	22.6	51.2	26.2	100.0	19.7	48.8	31.5	100.0
loyer	24.4	57.8	17.8	100.0	31.1	51.1	17.8	100.0	70.8	25.0	4.2	100.0	34.8	47.8	17.4	100.0
al	25.1	50.9	24.0	100.0	30.0	40.3	29.7	100.0	39.1	45.7	15.2	100.0	30.4	45.2	24.4	100.0
-manual kers	38.1	47.6	14.3	100.0	75.0	-	25.0	100.0	56.5	32.2	11.3	100.0	53.8	33.0	13.2	100.0

93.1 per cent of these workers are manual workers.
All of them are manual workers.
47.4 per cent of these workers are manual workers.

ce: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

units located in a fixed place, self-employment is still the main form of employment, as opposed to commerce and services where the wage-form predominates among the workers who work in a fixed place. Moreover, given that in production the size of firm itself is still an enormous limitation for organizing the process of production in a capitalistic form, it is not surprising to find that the structure of employment associated with very small production units located in a fixed place is relatively more backward than that found in their commercial and services counterparts.

In contrast, and as mentioned already, the small size of the establishment does not necessarily impose the same sort of limitations in commerce as it does in production, given the different nature of the activities. As shown by Table 14, in the case of commerce a contrast can be observed regarding the employment structure by occupational status between the labourers who work in a fixed place and those who do not. Among the labourers who work in a fixed place, 39.2 per cent are wage labourers, the wage-form being the main form of employment. In contrast, only 4.4 per cent and 7.9 per cent are wage labourers among those who work in a home and in the street, respectively. In addition, the proportion of self-employed further compounds the contrast between those enterprises that operate in a fixed place and those which operate in a home or the street. While only 33.4 per cent of the labourers who work in a fixed place are self-employed, this proportion is 62.0 per cent and 75.3 per cent among labourers who work in a home and in the street respectively. Moreover, it is interesting to note that from the wage-earners employed in very small units of commerce, 74 per cent of them work in a fixed place, while only 17 per cent of the self-employed do so.

The employment structure associated with the service sector

presents similar characteristics to those observed in commerce. A sharp contrast can be noted between the occupational categories of the labourers who work in a fixed place and the rest. The self-employed represent only 26.4 per cent of the workers in a fixed place, while in a home and in the street they constitute 51.2 per cent and 78.6 per cent of the workers respectively. Furthermore, wage-earners account for almost 46 per cent of workers in a fixed place, whilst among the workers whose work place is a home or the street the wage-earners represent 38.1 per cent [30] and 14.3 per cent respectively. Some 71 per cent of the employers in very small establishments of services work in a fixed place. However, as mentioned before, the service sector is characterized by an heterogeneous range of activities. Thus, it is necessary to distinguish between manual and non-manual workers, especially in the case of the self-employed who range from shoe-shiners to medical doctors. In fact, when the very small establishments of the service sector were considered, it was found that 52.6 per cent of the self-employed who work in a fixed place are non-manual workers, whereas 47.4 per cent are manual workers.

In short, the evidence clearly shows that in the case of commerce and services the employment structure associated with a fixed place contrasts sharply with that observed for the establishments located in the street or a home. In production, however, the analysis of the employment structure suggests that in the case of very small production units a similar contrast cannot be established; self-employment and family-type enterprises being the most relevant forms in which the work process is organized. For the purposes of our sectorization, therefore, distinction will be made between those establishments of commerce and services located in a fixed place and the rest. Moreover, given the variety of activities that the

service sector comprises, a distinction will be also made between the manual and non-manual self-employed of the service sector that operate in very small establishments located in a fixed place. It was decided that the manual self-employed located in a fixed place were to be regarded as engaged in non-capitalist activity as opposed to those professionals who work as self-employed rendering highly specialized services to the capitalist sector of the economy.

b) Establishments employing 5 to 9 workers (smallish establishments)

Although the establishments in this size group are relatively quite small, contrasting differences exist between them and smaller establishments as regards work place, occupational category of the workers and the ratio of non-manual to total workers. The proportion of wage-earners within the work force, for instance, increased from 24.6 per cent in very small firms to 67.9 per cent in the group of smallish firms. Similarly, the proportion of workers who work in a fixed place increased from 30.4 per cent to 73.7 per cent between these two sizes. In the same way, the ratio of non-manual to total workers increased from 10.7 per cent to 26.3 per cent.

It is worth noting, however, that the proportion of non-paid family workers increased from 9.1 per cent in firms employing 4 or less workers to 10.7 per cent in firms employing between 5 and 9 workers. If one looks at the evidence contained in Table 15 overleaf, it can be seen that although in this size group fixed place predominates as place of work in all sectors of economic activity, the proportion of workers who work in a home still is significant, especially in production (18.7 per cent) and in commerce (33.8 per cent).[31] Moreover, a brief examination of the employment structure of the workers that work in a home, by occupational status, immediately suggests that those enterprises are family businesses because of

ble 15: Occupational Category by Sector of Economic Activity and Place of Work: Establishments Employing 5 to 9 Workers (Bogotá, Cali, Medellín and Barranquilla, 1977)

A. Vertical Percentages

cupational Category	Establishments employing 5 to 9 workers															
	Production				Commerce				Services				Overall Total			
	Fixed Place	Home	Street	Total	Fixed Place	Home	Street	Total	Fixed Place	Home	Street	Total	Fixed Place	Home	Street	Total
ge-labourer	78.7	40.0	83.3	72.0	68.2	4.8	100.0	56.5	83.6	-	75.0	79.0	76.7	20.0	87.5	67.9
mily worker	1.3	35.0	-	7.5	4.8	76.2	-	20.6	-	25.0	-	-	2.1	53.3	-	10.7
lf-employed	4.0	5.0	16.7	5.6	4.8	4.8	-	4.3	-	-	-	-	3.1	4.5	8.3	3.8
loyer	16.0	20.0	-	14.9	22.2	14.2	-	18.5	16.4	75.0	25.0	21.0	18.1	22.2	4.2	17.6
al	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
n-manual/Total kers Ratio (%)	20.0	0.0	8.3	14.0	23.8	0.0	50.0	20.7	52.7	50.0	75.0	54.0	30.6	4.4	33.3	26.3

B. Horizontal Percentages

upational ategory	Establishments employing 5 to 9 workers															
	Production				Commerce				Services				Overall Total			
	Fixed Place	Home	Street	Total	Fixed Place	Home	Street	Total	Fixed Place	Home	Street	Total	Fixed Place	Home	Street	Total
e-labourer	76.6	10.4	13.0	100.0	82.7	1.9	15.4	100.0	93.9	-	6.1	100.0	83.1	5.1	11.8	100.0
ily worker	12.5	87.5	-	100.0	15.8	84.2	-	100.0	-	100.0	-	100.0	14.3	85.7	-	100.0
f-employed	50.0	16.7	33.3	100.0	75.0	25.0	-	100.0	-	-	-	100.0	60.0	20.0	20.0	100.0
loyer	75.0	25.0	-	100.0	82.3	17.7	-	100.0	69.2	23.1	7.7	100.0	76.1	21.7	2.2	100.0
al	70.1	18.7	11.2	100.0	68.5	22.8	8.7	100.0	87.2	6.4	6.4	100.0	73.7	17.2	9.2	100.0
-manual kers	93.8	-	6.2	100.0	78.9	-	21.1	100.0	85.3	5.9	8.8	100.0	85.5	2.9	11.6	100.0

ce: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

(i) the high proportion of non-paid family workers that are working in them and (ii) the relatively low proportion of wage-labour engaged in them, especially in those involved in commercial activities (4.8 per cent). The absence of non-manual workers in those establishments further compounds the issue. This stands in contrast with the employment structure observed for the labourers who work either in a fixed place or the street, the majority of whom are wage-earners. Thus, in view of these facts it was decided that, among enterprises employing 5 to 9 workers, only those located in a home were to be associated with family type enterprises which primarily base their activities on family labour.

c) Establishments employing more than 10 workers (small to large establishments)

Table 16 illustrates the situation of this group of establishments in relation to the characteristics being analyzed. As expected, among the workers engaged in establishments employing 10 or more workers, irrespective of the sector of economic activity in which they operate, a division and specialization of labour exists and the majority of them work as wage-earners (94.3 per cent). The place of work is either a fixed place (83.3 per cent) or the street (15.4 per cent) given the nature of certain occupations such as transport and distribution, construction and selling. In short, the main features of the employment structure associated with this group of establishments reflects a particular form of organization which can be described as typically capitalist and, therefore, all the establishments in this size group will be regarded as capitalist businesses in our sectorization of economic activities.

The foregoing examination of the employment structure of establishments of different size operating in the different sectors

ble 16: Occupational Category by Sector of Economic Activity and Place of Work: Establishments Employing 10 Workers or More (Bogotá, Cali, Medellín and Barranquilla, 1977)

A. Vertical Percentages

cupational ategory	Establishments employing 10 workers or more															
	Production				Commerce				Services				Overall Total			
	Fixed Place	Home[1]	Street	Total	Fixed Place	Home[1]	Street	Total	Fixed Place	Home[1]	Street	Total	Fixed Place	Home[1]	Street	Total
e-labourer	96.8	66.7	81.4	93.4	90.3	-	100.0	91.2	97.2	75.0	93.5	97.5	46.1	64.4	87.1	94.3
ily worker	0.2	-	2.0	0.5	-	100.0	-	0.7	0.3	-	-	0.2	0.2	7.1	1.2	0.4
f-employed	0.2	22.2	8.8	2.2	2.4	-	-	2.0	0.3	25.0	6.5	0.7	0.5	21.4	7.0	1.8
loyer	2.8	11.1	7.8	3.9	7.3	-	-	6.1	2.2	-	-	1.6	3.2	7.1	4.7	3.5
al	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
-manual/Total kers Ratio (%)	27.9	33.3	12.7	25.2	41.1	0.0	22.7	38.1	70.9	0.0	21.7	64.7	46.6	21.4	16.5	41.7

B. Horizontal Percentages

upational ategory	Establishments employing 10 workers or more															
	Production				Commerce				Services				Overall Total			
	Fixed Place	Home[1]	Street	Total	Fixed Place	Home[1]	Street	Total	Fixed Place	Home[1]	Street	Total	Fixed Place	Home[1]	Street	Total
-labourer	82.5	1.2	16.3	100.0	83.6	-	16.4	100.0	88.5	0.7	10.8	100.0	84.9	0.9	14.2	100.0
ly worker	33.3	-	67.7	100.0	-	100.0	-	100.0	100.0	-	-	100.0	40.0	20.0	40.0	100.0
-employed	8.3	16.7	75.0	100.0	100.0	-	-	100.0	20.0	20.0	60.0	100.0	25.0	15.0	60.0	100.0
oyer	57.1	4.8	38.1	100.0	100.0	-	-	100.0	100.0	-	-	100.0	76.3	2.6	21.1	100.0
l	79.6	1.6	18.8	100.0	84.3	0.7	15.0	100.0	87.8	1.0	11.2	100.0	83.3	1.3	15.4	100.0
manual ers	88.3	2.2	9.5	100.0	91.1	-	8.9	100.0	96.2	-	3.8	100.0	93.2	0.7	6.1	100.0

The figures corresponding to this place of work are not representative.

e: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

of the economy showed a sharp contrast between them when they were considered in relation to the technical division of labour, location of the work process and forms of employment of the labour force. We found that in establishments with 10 or more workers a technical division of labour exists, the work process is carried out primarily in a fixed place, and the majority of workers are engaged as wage-earners. This contrasts strongly with the situation in very small establishments in which the technical division of labour is practically non-existent, the dominant place of work is a home, and the majority of workers are engaged as self-employed and non-paid family workers. However, although it is technically almost impossible for a very small unit of production to organize its work process in a capitalistic way (the size of firm being its main limitation), this is not necessarily the case in commerce or services due to the different nature of these activities. In these two sectors, very small establishments can operate as capitalist enterprises or, in the case of specialized services, can be regarded as closely linked to the capitalist sector of the economy, e.g. services of self-employed lawyers, engineers, architects and so on.

Thus, given that the way in which the work process is organized is not independent of the nature of the activity in which an enterprise is engaged, a distinction must be drawn between those small establishments that operate in commerce and services and those that operate in production. For the purpose of determining whether or not a very small commerce or service establishemnt operates as a capitalist enterprise, place of work and the occupational category of the workers in combination with their occupational status proved to be important indicators. On the basis of these indicators it was decided that, with the exception of the manual self-employed,

all the workers engaged in very small establishments of commerce and services in a fixed place were to be regarded as part of the workers engaged in the capitalist sector of the Colombian urban economy. In relation to the establishments employing 5 to 9 workers some distinction must also be made. As we have already seen, in this size of establishment there is a significant number of workers who are linked to family enterprises. The existence of this type of enterprise in this size of firm is evident from the fact that among the work force engaged in this group of establishments, 17.2 per cent of the workers worked in a home and 11.1 per cent worked as non-paid family workers. For the purpose of our classification, it was therefore decided that all the labourers in the smallish group of establishments who worked in a home were to be associated with family enterprises operating within the non-capitalist sector of the urban economy.

Based on these considerations, the workers of the Colombian urban economy were categorized into those who are employed in the capitalist sector and those who are engaged in non-capitalist activities. The statistical technique used for classifying the workers was the BREAKDOWN procedure of the Statistical Package for the Social Sciences (SPSS), a sub-programme used for performing complex classifications involving up to five independent variables.[32]

The aim behind any sectorization is to create different groups, in which the elements should be as different as possible among groups and as homogeneous as possible within each group, in relation to certain factor(s) chosen as dependent variable(s). In this respect, the research utility of the sub-programme BREAKDOWN is substantial since it provides a simple technique for examing the means, variances and standard deviations of a dependent variable among various sub-groups in the total population. In our case, the dependent variable

used, in different runs, were monthly income, hourly income and week-hours of the workers, whereas the five independent variables, entered step by step in the following order, were: (1) size of firm (very small, smallish and small to large), (2) sector of economic activity (production, commerce and services), (3) place of work (fixed place, a home and the street), (4) occupational category (wage-earner, self-employed, non-paid family worker and employer) and, (5) occupation (manual and non-manual). In Appendix C we have explained and illustrated in some detail the basic mechanics of this sub-programme.

Using the five indicators as independent variables, in three different runs (one for each dependent variable) the population of 2239 workers was broken down into 216 sub-groups. The significance of the procedure was then tested for each individual sub-group by carrying out an analysis of means and standard deviations which, with a few exceptions, proved to be satisfactory at the .01 level.[33] Using the statistical definition of capitalist and non-capitalist activity presented in Chart 1 overleaf, the population of workers was then reclassified into two main sub-groups: (i) workers engaged in capitalist enterprises and (ii) workers engaged in non-capitalist activity.

According to our definition, 32.5 per cent of the workers in Colombia's four main cities are linked to the non-capitalist sector of the economy. This is in contrast to Bourguignon's and Berry's estimation, which is that the traditional sector in the Colombian urban economy entails 45.5 per cent of the work force.[34] Although this divergence is due to differences in definitions, the following two factors must also be considered. Firstly, both authors used DANE's 1974 household survey which includes a wider number of cities (seven). The inclusion of smaller cities is obviously bound to

Chart 1: Statistical Definition of Capitalist and Non-capitalist Activity: Classification of Workers

Workers engaged in non-capitalist establishments (32.5%)	Very small establishments (less than 5 workers)	All the workers in production. All the workers in commerce and services who operate in a 'home' or the 'street' and the manual self-employed who work in a 'fixed place'.
	Smallish establishments (5 to 9 workers)	All the workers who operate in a 'home'
Workers engaged in capitalist establishments (67.5%)	Very small establishments (less than 5 workers)	The workers of commerce and services who operate in a 'fixed place' with the exception of the manual self-employed.
	Smallish establishments (5 to 9 workers)	All the workers with the exception of the workers who operate in a 'home'.
	Small to large establishments (10 + workers and above)	All workers.

affect the ratio between the two sectors of the urban economy in favour of the non-capitalist sector due to the relatively lower intensity of capitalist development in smaller cities as opposed to the larger ones where most of the industrial, commercial and financial activity of the country is concentrated. Secondly, Bourguignon and Berry included all the domestic servants in the traditional sector whereas in our classification they were excluded from the calculations.[35] In fact, if resident domestic servants are excluded from Bourguignon's sample, the size of the traditional sector as estimated by his methodology would be reduced from 45.5 per cent to 38.2 per cent. Moreover, if the criteria employed by Bourguignon, Webb or Tokman[36] for defining the non-capitalist sector, i.e. establishments

with less than 6 workers, had been applied to our sample, the non-capitalist sector would have comprised around 36.8 per cent of the workers in Colombia's four main cities in November 1977, whilst by applying more complex criteria it only came to 32.5 per cent of the work force. However, as mentioned already, the major difference between our definition of non-capitalist activity and that of the above mentioned authors does not lie on the size of the sector but in the methodology used to achieve such a definition.

Throughout this Chapter, then, we have attempted to overcome some of the methodological deficiencies of previous efforts to empirically define non-capitalist activity. It may be readily admitted, however, that the sector boundaries are very difficult to draw with precision, especially when dealing with the whole range of economic activities within the economy as opposed to specific case studies. Nonetheless, we do not believe that the major argument of this study would be significantly affected by attempts to refine further the indicators used here to distinguish between capitalist and non-capitalist activity.

Table 17 overleaf summarizes the more outstanding features of the employment structure associated with the capitalist and non-capitalist sector in Colombia's four largest cities.

By recognizing the heterogeneity of the economic units, the employment structure can be described in a more accurate form. For instance, it is not surprising to find that half of the workers engaged in commerce belong to the non-capitalist sector given the high participation that the retail food trade has in the sector as a whole. Traditionally, the commercialization of foodstuff has been based on small establishments scattered all over the city. Furthermore, a comparison of the 1954 and 1967 Censuses of Commerce

Table 17: Structure of Employment in Colombia's Four Major Cities: Capitalist and Non-capitalist Sectors, 1977

	Vertical Distribution			Horizontal Distribution		
	Non-cap.	Cap.	Total	Non-cap.	Cap.	Total
Size of Firm						
- very small (4 workers or less)	94.2	9.1	36.8	83.5	16.5	100.0
- smallish (5 to 9 workers)	5.8	15.3	12.1	15.5	84.5	100.0
- small to large (10 workers or more)	-	75.6	51.1	-	100.0	100.0
Sector of Economic Activity						
- Production	41.6	43.3	42.7	31.6	68.4	100.0
- Commerce	41.3	19.7	26.8	50.4	49.6	100.0
- Services	17.1	37.0	30.5	18.4	81.6	100.0
Place of Work						
- Fixed Place	15.7	85.4	62.6	8.1	91.9	100.0
- Home	56.9	1.2	19.4	95.7	4.3	100.0
- Street	27.4	13.4	18.0	49.6	50.4	100.0
Occupational Category						
- Wage-earner	18.8	88.0	65.4	12.2	87.8	100.0
- Family-worker	11.0	1.9	4.9	52.0	48.0	100.0
- Self-employed	57.5	2.6	20.5	57.5	42.5	100.0
- Employer	12.7	7.5	9.2	39.9	60.1	100.0
Occupation						
- Non-manual worker	7.1	39.1	28.7	8.1	91.9	100.0
- Manual worker	92.9	60.9	71.3	42.5	57.5	100.0
Averages a/						
- Monthly earnings (pesos)	4,102.0	6,461.0	5,462.0			
- Week-hours	48.6	47.2	47.8			
- Income per hour(pesos)	19.6	31.8	29.3			
Percentage of Total Workers						
				32.5	67.5	100.0

a/ The non-paid family workers were excluded from these calculations.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

shows that, in spite of the strong tendency observed in this sector towards concentration in terms of sales, the number of small establishments increased over that period. [37] In the final Chapter of this study, a thorough examination of this sector is undertaken which further substantiates this point.

Although, in production, the non-capitalist sector has a relatively high participation in terms of employment (31.6 per cent), it is not so significant in terms of output. According to the National Accounts, in 1976 the sector artesanal of manufacture (defined as those establishments of production with less than five workers) contributed 12.4 per cent of the total output of manufacture.[38]

In the service sector, on the other hand, less than 20 per cent of the workers belong to the non-capitalist sector, being the sector of economic activity where they have the lower participation in relative and in absolute terms. To a large extent, this is explained because a large variety of services cannot be carried out in a non-capitalist form, such as governmental services, financial services in general, and so on. Nonetheless, according to Bourguignon's data, the participation of traditional sector workers (defined as those who work in establishments that employ 5 workers or less except for those with higher education) is particularly high in repair services (66.6 per cent), personal services (81.7 per cent), laundry services (45.5 per cent), recreational services (25.7 per cent) and industrial services (24.2 per cent). [39] The high participation of the traditional sector in personal services shown by Bourguignon's data, however, is mostly explained by the inclusion of resident domestic servants in his definition of traditional sector.

As Table 17 further illustrates, there is a strong contrast between the employment structures associated with each sector

respectively. Among the workers engaged in non-capitalist activities 57.4 per cent are self-employed, 11 per cent are non-paid family workers, 12.7 per cent are employers and 18.8 per cent are wage-earners. In contrast, the capitalist sector is formed mainly of wage-labourers (88 per cent) and employers (7.5 per cent); only 4.5 per cent of its workers are non-paid family workers or self-employed. Similarly, a strong contrast exists in relation to the place of work: a 'home' is the location that predominates among non-capitalist workers (56.9 per cent), whilst 85.4 per cent of the workers engaged in the capitalist sector worked in a 'fixed place'.

Although we shall show in Chapter IV that the calculation of overall average earnings differentials between sectors is meaningless, it is, nonetheless, instructive to look at the magnitude of the differentials that exist on average in working hours, monthly earnings and hourly rates between the workers of the capitalist and non-capitalist sector included in our sample and to compare these results with those obtained by other analysts for Colombia and other Latin American countries. For the definition of working-hours, monthly earnings and hourly rates we must refer the reader to Chapter IV (pp. 147-149), where each of these categories is precisely defined.

As Table 17 illustrates, in October 1977, the average monthly earnings of the workers engaged in the capitalist sector was 57.5 per cent higher than that obtained by the workers engaged in non-capitalist activities; whilst the average working week was 1.4 hours longer for the non-capitalist sector workers. Thus, the differential in terms of average income per hour between the two sectors being even larger: 62.2 per cent. Comparing these results with those obtained by other analysts in Colombia and other countries one finds that, partly as a result of important differences in the

definition of the sectors as well as in the structure of earnings, the magnitude of the estimated inter-sectoral average earnings differential in Latin American cities varies a great deal. For instance, in the cases of Asunción and San Salvador the PREALC studies found a 158 per cent and 163 per cent differential in average weekly earnings between the workers of the so-called informal and modern sector in each city respectively.[40] This was even larger in the cases of Ecuador (Quito and Guayaquil) and Santo Domingo due to the inclusion in the definition of the informal sector of all workers earning less than the minimum wage. In the case of Peru, Webb found a 113 per cent inter-sectoral average earnings differential in Peru's nine largest cities while in Lima this was 92 per cent.[41] Finally, the estimations made by Bourguignon for seven Colombian cities, showed an 88 per cent inter-sectoral average earnings differential between the two sectors.[42] Although this and similar results would seemingly appear to support the dual labour market hypothesis in the case of Latin American countries, a closer examination of the evidence will show that the calculation of inter-sectoral earnings differentials at such levels of aggregation is utterly misleading, if not meaningless.

Thus, Chapter IV will be devoted to an in depth examination of the earnings and work-hours differentials that exist among comparable types of workers, both within and among the capitalist and non-capitalist sector of the Colombian urban economy. This will attempt to show that from the finding of wide differentials between the average earnings of the capitalist and non-capitalist sector workers it cannot be concluded that a dual labour market structure exists in the urban areas of developing countries, as most analysts on urban productive heterogeneity are inclined to believe. A careful

examination of this point was thought necessary for the following two reasons. Firstly, because the important differences that exist between the employment structure of the capitalist and non-capitalist sector cannot be disregarded. Secondly, because there is no reason to believe that such differentials will hold when comparing more homogeneous groups of workers, e.g. manual, non-manual, and so on. Thus, in contrast to the dualist argument, in the next Chapter we intend to show that the workers of the Colombian urban non-capitalist sector exert a downward pressure on the wage level of the economy in so far as, in their capacity of reserve army of labour, they effectively compete for jobs in the capitalist sector. In short, it is the link between the urban non-capitalist sector and the labour market, between the urban non-capitalist sector and wages, that we intend to examine in the next Chapter.

After examining the earnings situation of different types of workers in the Colombian urban economy, we shall proceed in Chapter V to an examination of the magnitude and composition of household income as regards its capitalist and non-capitalist origin. The aim of the analysis is to assess the role of the non-capitalist sector in the procurement of means of livelihood for the maintenance and reproduction of the urban labour force.

NOTES. Chapter III

1. "Capital is not a thing. It is a definite interrelation in social production belonging to a different historical formation of society. This interrelation expresses itself through a certain thing and gives to this thing a specific social character. Capital is not the sum of the material and produced means of production. Capital means rather the means of production converted into capital". /K. Marx, Capital, Vol. III, pp.947-48/ ... "Material wealth transforms itself into capital simply and solely because the worker sells his labour-power in order to live. The articles which are the material conditions of labour, i.e. the means of production, and the articles which are the precondition for the survival of the worker himself, i.e. the means of subsistence, both become capital only because of the phenomenon of wage labour". /K. Marx, Capital, Vol. I, p. 1005/ ... "Capital signifies the means of production monopolized by a certain part of society, the products and material requirements of labour made independent of labour power in living human beings and antagonistic to them, and personified in capital by this antagonism". /K. Marx, Capital, Vol. III, p.948/ ... "In capital, as in money certain specific relations of production between people, appear as relations of things to people, or else certain social relations appear as the natural properties of things in society. Without a class dependent on wages, there can be no production of surplus-value; without the production of surplus-value there can be no capitalist production, and hence no capitalist. Capital and labour only express two aspects of the self-same relationship". /K. Marx, Capital, Vol. I, pp. 1005-6/.

2. See, for example, P.R. Souza and V. Tokman, "El Sector Informal Urbano" in Seminario CLACSO, El Empleo en América Latina, Siglo XXI Editores, Mexico, 1976; R. Webb, Income and Employment in the Urban Traditional Sector of Peru, Princeton University, 1974.

3. See, A. Berry, "Wage Employment, Dualism and Labour Migration in Colombia: Trends over Time", The Journal of Development Areas, Vol. 9, July 1975; F. Bourguignon, "Pobreza y Dualismo en el Sector Urbano de las Economías en Desarrollo: El Caso de Colombia", Desarrollo y Sociedad, No. 1, Bogotá, January 1979; PREALC, La Situación y Perspectivas del Empleo en Paraguay, Santiago, 1973, and La Situación y Perspectivas del Empleo en El Salvador, Santiago, 1975. A criticism can be levelled at these definitions on the grounds that they mixed characteristics of the enterprises with characteristics of the workers as in the case of education.

4. P.R. Souza and V. Tokman, "El Sector Informal Urbano", in Seminario CLACSO, op.cit., 1976; PREALC, La Situación y Perspectivas del Empleo en Ecuador, Santiago, 1975; and ILO, Más Empleos con Crecimiento Rápido. El caso de la República Dominicana, Geneva, 1973. Later on, in Chapter IV, we shall criticize this position which assumes that poverty is an exclusive phenomenon of the informal or traditional sector.

5. K. Marx, Capital, Vol. I, Penguin Books Ltd., England, 1976, p. 439.

6. A firm achieves economies of growth if, as it grows bigger (that is, it increases its output), its costs of production per unit of output fall. Thus, economies which arise from the growth of a firm are known as internal economies of scale. Depending on the source of the economy, the economies of scale are usually classified under different headings such as: (i) technical economies, (ii) administrative economies; (iii) financial economies; (iv) marketing economies; (v) 'research and development' economies; or, (vi) risk bearing economies.

7. The 'lowest multiple principle' or 'principle of the least common multiple' aims at minimizing the level of capacity underutilization of the firm by taking into account the fact that equipment is only obtainable in certain sizes and capable of dealing with certain levels of output, in a given time. Thus, if several interrelated processes are required to make a certain product, and each process has a different optimal scale of operations, then the overall combined optimum scale of plant is the lowest common multiple of the individual process optima.

8. In the Indian textile industry, for example, it has been found that the largest-scale plants tend to be relatively labour intensive compared with smaller plants. On this see, J.C. Sandesara, "Scale and Technology in Indian Industry", Bulletin of the Oxford University Institute of Economics and Statistics, Vol. 28, No. 3, August 1966, p. 189. Sandesara results have been challenged by B.V. Mehta, "Size and Capital Intensity in Indian Industry", Bulletin of the Oxford University Institute of Economics and Statistics, Vol. 31, No. 3, August 1969. In the case of Japan, however, a fairly close relationship between size of enterprise and capital intensity has been found by S. Okita, "Choice of Techniques: The Experience of Japan and its Implications for Underdeveloped Countries", Industrialization and Productivity, Bulletin No 4, United Nations, 1961, p. 27.

9. Lenin, for instance, takes similar factors into consideration when dealing with the differentiation of the small commodity producers in Moscow Gubernia. He classifies the craftsmen in each industry into grades according to the number of workers (family and hired) per establishment and other factors such as the volume of output, technical organization, etc. More specifically, he argues that "in general, the criteria according to which the craftsmen have been divided into grades are based on all the data given in the description of the industry; but in different industries we have found it necessary to take different criteria for dividing the craftsmen into grades. For example, in very small industries we have placed in the bottom grade establishments with 1 worker, in the middle grade those with 2, and in the top grade those with 3 and more; whereas in the bigger industries we have placed in the bottom grade establishments with 1 to 5 workers, in the middle grade those with 6 to 10, etc." See V.I. Lenin, The Development of Capitalism in Russia, Collected Works, Vol. III, Lawrence and Wishart, London, 1972, p. 345. See also Appendix I.

10. By assuming that there are crucial differences between capitalist and non-capitalist enterprises we disagree with neo-classical theory when in its basic model it assumes that within an industry all firms, both in a country and in a different country, are in some basic sense employing the same neo-classical production function, e.g. homogeneous production function. Based on this

hypothesis and assuming that the factor markets are perfect and competitive, the neo-classical model suggests that differences in output per worker are thus explainable by differences in the supply of complementary factors per worker and that prices and the returns of different factors are equal to marginal productivity and the same for all firms. For a survey of the literature on this point see M. Nerlove, "Recent Empirical Studies of the CES and Related Production Functions" in M. Brown (Ed.), The Theory and Empirical Analysis of Production, National Bureau of Economic Research, New York, 1967.

11. K. Marx, Capital, Vol. I, op.cit., 1976, p. 1022.

12. This survey formed part of a project directed by U. Ayala and N. Marulanda, both research fellows of the Centro de Estudios sobre Desarrollo Económico (CEDE) of the University of Los Andes in Bogotá, in which the author participated as a graduate research assistant during its preliminary phase. The author was closely involved in the discussions that led to the design of the project and the questionnaires and took direct part in the pilot surveys. The project was financed by the Department of National Planning and the major survey executed by the Compañía Nacional de Datos (COLDATOS). For a complete description of the project and survey see U. Ayala and N. Marulanda, Empleo y Pobreza, Volumes I to VI, CEDE, University of Los Andes, Bogotá, July 1978.

13. Among periodic surveys on urban employment carried out in Colombia see, CEDE's Employment and Unemployment Survey, which was carried out every three months between 1963 and 1967. This survey was taken over by the Central Statistical Office (DANE) in 1969 under the name of Household Survey and is still carried out periodically. The methodology originally designed by CEDE in 1963 has not been changed since then.

14. In the advanced capitalist economies, where the non-capitalist firm sub-sector has been largely eliminated even in the small firm group, it makes little sense to pursue a distinction between the capitalist and non-capitalist sector. Rather, in the context of such countries, it makes more sense to distinguish between the private and the public sectors of the economy.

15. In the conventional surveys and censuses applied in Colombia (CEDE's survey and DANE's survey, op.cit., and the 1951, 1964 and 1973 population censuses) a person is considered to be a worker when he is, over a fixed period of reference (the week before the survey or the census is undertaken), said to be 'working' or 'actively looking for a job' given the following conditions: (i) the person is said to occupy most of his time in one of these two activites and (ii) the person is said to consider one of these two activities his 'main occupation'. These criteria are used to classify an individual as a worker (or non-worker) which will subsequently then be used to categorize him as employed, unemployed or economically inactive.

16. This refers to many people who work for an income and who are still not classified as workers.

17. CEDE's survey of 'Employment and Poverty' also included the questions by which conventional surveys define the workers. (See text).

18. This 10 per cent of workers can be further broken down as follows: 4.3 per cent of workers are non-paid family workers and 5.6 per cent of workers are people who do not classify themselves as workers but who fulfil the conditions of a worker in the 'narrow' sense defined in 'E & P'. In addition, there was a 6 per cent of workers defined in the 'broad' sense who did not qualify for the 'workers questionnaire', since their work was marginal in terms of income (less than 4,000 pesos in 10 months) or time dedicated (less than 1 month) in the case of the non-paid family workers. However, this 6 per cent of workers in the 'broad sense' were registered as such in the 'household survey'; the basic conditions of their work and their income were also registered.

19. The occupational category of the workers defines their employment status, comprising the following four groups: wage-earners, non-paid family workers, self-employed and employers.

20. If a worker holds more than one job (7 per cent of the workers in the largest cities of Colombia do), the main activity is defined as the one to which the worker dedicated more hours of work irrespectively of the amount of income earned in each of them.

21. This was the case with CEDE's Survey of Employment and Unemployment and also with DANE's Household Survey. Similarly, the recent survey carried out by the Centro Regional de Población (CCRP), in 1977, on Employment and Education selected a worker per household by means of a random procedure, to whom the survey was then applied. A similar problem can be detected in the survey of Employment carried out by the Asociación Nacional de Instituciones Financieras (ANIF) in 1977.

22. For instance, the official definition of industry in Colombia excludes all those firms which operate with 4 or fewer workers. See DANE: Encuesta Anual Manufacturera, Muestra Mensual de la Industria Manufacturera, Censos de Población; Banco de La República: Cuentas Nacionales; and Instituto Colombiano de Seguros Sociales (ICSS): Statistics. All those firms with 4 workers or less are referred to as the sector artesanal.

23. See United Nations Industrial Development Organization (UNIDO), Small Scale Industry in Latin America, New York, U.N., 1969.

24. See United Nations Industrial Development Organization (UNIDO), ibid., p. 52.

25. See United Nations Industrial Development Organization (UNIDO), ibid., p. 58.

26. M.A. Katouzian, for instance, divided the 'tertiary sector' into three categories according to their production and consumption characteristics. In his classifications he refers to activities such as street petty trading, domestic services, and all the "marginal activities which are not adequately described" in employment statistics as 'old services'. This is in contrast to those services which are complementary to the process of industrialization such as banking, finance, wholesale and retail trade (e.g. 'complementary services') and those services in which consumption is relatively stagnant before a certain level of development has been achieved, such as education, modern clinical

and medical services, entertainments in general and the like (e.g. 'new services'). See M.A. Katouzian, "The Development of the Service Sector: A New Approach", Oxford Economic Papers, Vol. 22, No. 3, November 1970, pp. 362-382.

27. Transportation, storage, communications and public utilities were excluded from the service sector and included in production. This definition of the service sector can be also found in Maurice Lengellé, The Growing Importance of the Service Sector in Member Countries, O.E.C.D., Paris, 1966; George J. Stigler, Trends in Employment in the Service Industries, N.B.E.R., Princeton University Press, 1956, p. 47; and Victor R. Fuchs, The Service Economy, N.B.E.R., Columbia University Press, New York, 1968, pp. 14-16.

28. From the workers who worked in a 'home', 83.6 per cent worked in their own home. Only 16.4 per cent of the workers associated to this place of work, worked in other homes: 60 per cent of them worked in communal, social and personal services and the same proportion were wage-earners. They are mainly non-resident domestic servants.

29. From the workers who worked in the 'street', 86.3 per cent worked in a continuously varying location mainly associated with transport workers, construction workers and salesmen. Only 13.7 per cent worked in a fixed location in the street: 57 per cent of those were street vendors and 24 per cent offered personal services, e.g. shoe-shiners, repair services and the like.

30. A high proportion of these wage-earners are employed as non-resident domestic servants in other homes different from their own.

31. In the case of services, a 'home' as a place of work is not significant in that size of firm.

32. For a detailed description of this procedure, see N.H. Nie, et.al., SPSS Manual, 2nd Edition, 1975, pp. 249-66.

33. The analysis of means and standard deviations is a simplified form of the analysis of variance; a statistical technique which is used to prove the accuracy of any sectorization (SPSS has not the facility of applying the analysis of variance in a consecutive form as new variables are introduced). However, as the variables were introduced in the BREAKDOWN by steps, the difference between means grew (between groups) and, in contrast, the standard deviation in relation to the means of each group diminished (within groups).

34. F. Bourguignon, "Pobreza y Dualismo en el Sector Urbano de las Economías en Desarrollo: El Caso de Colombia", Desarrollo y Sociedad, No. 1, Bogotá, January 1979 and Albert Berry, Essays on Industrialization in Colombia, (to be released): quoted by F. Bourguignon, ibid., 1979.

35. The resident domestic servants were excluded from all the calculations because their labour does not constitute social labour in the strict sense. That is to say, the direct products of domestic labour are not produced for the market but for direct consumption within the family. Thus, although a relationship exists between domestic labour (paid or unpaid) and capital in the

context of the process of labour reproduction, the different natures of social and domestic labour must be taken into account if the specific relationship of each to capital is to be understood. On this point see, S. Himmelweit and S. Mohun, "Domestic Labour and Capital", Cambridge Journal of Economics, Vol. 1, No. 1, March 1977, pp. 15-31.

36. P.R. Souza and V. Tokman, "El Sector Informal Urbano" in Seminario CLACSO, El Empleo en América Latina, Siglo XXI Editores, Mexico, 1976; R. Webb, Income and Employment in the Urban Traditional Sector of Peru, Princeton University, 1974; and F. Bourguignon, op.cit., 1979.

37. DANE, Censo de Comercio y Servicios, Bogotá, 1954 and 1967.

38. Banco de La República, National Accounts 1970-1976, May 1978, Table 8, p. 21.

39. See F. Bourguignon, "Pobreza y Dualismo...", op.cit., 1979, Table 10, p. 58.

40. P.R. Souza and V. Tokman, "El Sector Informal Urbano", op.cit., 1976, p. 71.

41. Richard Webb, "Ingreso y Empleo en el Sector Tradicional Urbano del Perú", in R. Cardona (Ed.), América Latina: Distribución Espacial de la Población, Corporación Centro Regional de Población (CCRP), Bogotá, 1975.

42. F. Bourguignon, op.cit., 1979, Table 8, p. 54.

CHAPTER IV

THE ROLE OF URBAN NON-CAPITALIST ACTIVITY IN DEPRESSING WAGE RATES

The classification of workers made in the previous Chapter was founded on the distinction between two types of enterprises, namely, 'capitalist firms' and 'non-capitalist businesses'. By means of this analytical distinction we established that one third of the working population in Colombia's four main cities earned their living outside the context of capitalist relations of production. As argued in Chapter II, this organization of the economy is the result of the form in which capitalism developed in Colombia and, therefore, the existence of urban non-capitalist activity should be seen as a distinctive feature of Colombian capitalism rather than as an incomplete development of Colombian capitalism. In the rest of this study, however, the emphasis of the analysis will be placed on the relationship between the capitalist sector of the economy and its non-capitalist counterpart and the effects of this relationship upon the process of capital accumulation.

Although there are several facets to the relationship between the two sectors of the urban economy, in this and the following two Chapters we will examine three of them, which we thought could best illustrate the way in which the workers of the urban non-capitalist sector contribute to the advancement of capitalist production and accumulation in Colombia. In particular, we intend to look at the role played by the workers of the urban non-capitalist sector in (i) maintaining a low level of wages within the economy; (ii) supplementing the means of subsistence required for the maintenance and reproduction of labour in general, and of the work force employed by the capitalist sector in

particular; and (iii) supplementing the supply of essential goods and services, particularly in those instances where their provision is unprofitable by capitalist standards.

This Chapter is therefore concerned with the role of urban non-capitalist activity in depressing wage rates. The influence of non-capitalist sector workers on the level of wages of the economy can be seen as operating through two sets of forces. The two sets of forces, however, act in opposite directions. On the one hand, the workers engaged in non-capitalist activity exert a downward pressure on the general wage level of the economy in so far as they are readily available and competing for the jobs currently being held by the wage-earners of the capitalist sector. Thus far, the bargaining strength of the working class as a whole is reduced, since the workers engaged in non-capitalist activity fulfil the role of a reserve army, keeping wages low. On the other hand, however, the existence of an alternative source of livelihood for the reserve army of labour in the form of non-capitalist activity prevents the level of wages from falling below a certain minimum. This minimum constitutes the supply price of labour and is established by the average earnings that individuals engaged in non-capitalist activities are able to obtain.

Briefly, then, our argument is that in a country such as Colombia, where the supply of labour exceeds the demand for labour in actual fact, [1] the average wage rate paid to the work force in the capitalist sector does not exceed significantly the supply price of labour, due to the effectiveness with which the forces of competition operate in the labour market. Contrariwise, dualist analysts would argue that the level of wages in the capitalist sector is kept well above its competitive level. As we saw in Chapter I, they base their argument on the hypothesis that two distinct labour markets exist and on the assumption that labour mobility between the two sectors is sharply

limited by economic as well as non-economic factors. Although at first sight the existence of wide differentials between the average earnings of capitalist and non-capitalist sector workers would appear to support the dual labour market hypothesis and its underlying assumptions, a closer examination of these differentials will immediately show that in reality there are no grounds for support of such a hypothesis.

In the explanation of wage differentials there is a phenomenon common to most developing economies which has been overlooked by dualist analysts when its consideration is, in fact, of major importance. This refers to the enormous wage differentials that exist between manual and non-manual labour caused by the disparity of their respective ex-ante prices: while the former is plentiful and cheap, the latter is scarce and costly. Through time, this disparity is maintained and reinforced by the same factor that caused it in the first place: a highly unequal distribution of both wealth and income.

The nature of this phenomenon can, in fact, be better understood by means of the 'non-competing groups' proposition advanced by Cairnes in 1874, when he was trying to explain why wage differentials exist and perpetuate themselves in the context of capitalist production. [2] Cairnes argued that the power of competition among different groups of workers is limited, for practical purposes, to a certain range of occupations, since however high the rates of remuneration in occupations which require a relatively high level of qualifications may rise, the unskilled and semi-skilled workers are excluded from sharing them. The main reason for this being that differences of income once established are apt to perpetuate themselves, especially if the cost of education and training is an expense that either the worker (or his family) has to meet from his own pocket. [3] Cairnes' consideration of the cost of education as an institutional factor, arose from

questioning the artificial assumption of the classical economists, and for that matter of neo-classical theory, that every worker has an equal chance in the long run of entering any occupation, which in reality is far from being the case.

In all societies, manual and non-manual labour are indeed valued differently due to the cost of training. However, in a low wage economy such as that of Colombia, where the non-availability of public funds to finance the whole of an individual's education results in the family of the person being educated having to finance at least transportation, books, uniforms and sometimes fees, this difference tends to widen and perpetuate itself over time since the availability of private financing clearly depends on the family's level of income as well as on the attitude of parents towards education. [4]

Thus, those who have a higher income, and perhaps some savings as well, are in a better position to bear the cost of training for their children to enter a skilled occupation; while the unskilled labourer who supports his family with difficulty, may be unable to bear the cost at all. [5] Under such circumstances, the cost of education and training has further effects on the price differential between manual and non-manual labour, by affecting the conditions underlying the supply of each type of labour. Since the available supply of labour for non-manual occupations is determined by the relatively low proportion of people who can afford the cost of education, both in monetary terms and in time, the price of their labour tends to be much higher than that of general and semi-skilled labour which is, contrariwise, plentiful and cheap. In fact, the restrictions imposed upon occupational mobility between manual and non-manual occupations and the long-term pay differentials that go with it reach such a point that it becomes possible to speak of two distinct segments within the labour supply. [6]

Thus, contrary to the long-term perfect labour mobility assumption inherent in the 'competitive hypothesis' of neo-classical theory, [7] we are assuming that, in Colombia, labour is divided into non-competing groups in Cairnes' sense. This means that there is no substitutability in the short run and very little in the long run between such groups and that the pay relation between them is governed by this fact. Although people with similar skills compete and their pay relative to each other's is determined by the market, each group is paid arbitrarily in relation to each other one since they are not competing among themselves. In addition, it must be noted that the conditions underlying the average absolute pay of each group are very different. While the average absolute pay of manual labour is determined by a very competitive market characterized by an excess of labour supply, the average absolute pay of non-manual labour and people with a rare, non-competing skill is determined by a less competitive market and is also influenced by non-market factors, such as the willingness of employers to pay for a low turnover of their skilled labour force or, by the fact that part of this group is actually in a position to influence its own pay, i.e. employers, managerial staff and workers with rare, non-competing skills.

In the analysis that follows, however, we will not lay too much stress in examining the pay differences that exist between 'non-competing groups' of workers, but rather on the differences that exist between 'competing groups' of workers. More precisely, special emphasis will be placed on the comparison of average earnings between the manual wage-earners of the capitalist sector and the workers engaged in non-capitalist activity. The reason being that if any possibility of employment in the capitalist sector is available to the workers of the non-capitalist sector it will be, in the majority of cases, as wage-earners in manual occupations, due to their low

level of education. In any case, we shall carry the analysis of pay differentials a step further by introducing some additional information on the supply side, i.e. some personal characteristics of the workers, such as sex, education, age, migration status, and others. But before examining the empirical evidence on earnings it may be useful to discuss briefly the meaning attached to the notion of earnings that will be used in this thesis and the statistical treatment given to this variable in the present context.

There are three related but conceptually distinct aspects to the earnings situation of the workers. Firstly, there is the weekly or monthly earnings which allow the worker and his family to buy a determinate amount of means of livelihood. Secondly, there is the work-effort required to obtain those incomes as expressed by the hours worked per week, which tends to be in inverse relation to the level of income of the individual worker. Thirdly, there is the time-rate which represents the standardized amount of money paid to the worker for each working hour, day or task (price of labour).

In order to illustrate the difference between monthly earnings and 'time-rate', let us consider a hypothetical example of two workers, A and B, who earn the same weekly income, say X; the difference between the two of them being that worker A works Y hours, while worker B works only Y/2 hours a week. Thus, the price of A's hour of work is half the price of B's hour of work; or, in other words, worker A has to work twice the time of B in order to obtain the same monthly income as B. If we further assume that these two workers have nobody to support except themselves, they can be said to enjoy the same standard of life in terms of weekly income, although worker B is undoubtedly better off in terms of welfare, i.e. he has Y/2 extra hours of leisure than worker A per week. However, from the standpoint of the price of

their labour, these two workers are still different: A's hour of work is worth half the price of B's hour of work.

To measure the work according to its duration may not be the most accurate measure of the real amount of work or physical energy expended by the workers, since the intensity of work, which is the amount of labour power demanded of a worker within each working hour, may vary. However, for practical purposes, income per hour can be taken as approximately representing the price of working energy expended by the labourer within each working hour. Furthermore, the major advantage of the 'time-rate' is that it can be taken as a uniform basis for comparing the 'price of labour' associated to the different types of jobs and of workers within the economy.

Lastly, some brief comments must be made in relation to the statistical treatment given to these variables. The earnings refer to a monthly basis; the work-hours refer to a weekly basis; and the income per unit of time to an hourly basis. The magnitude of these variables is always represented by the mean of the group. The information about monthly earnings and week-hours is provided directly by the survey. The non-paid family workers, however, are not included in the calculations on incomes and work-hours, since the form of their income, if any, is not in monetary terms but in kind.[8] Establishing the value of the payment to non-paid workers can indeed be a very arbitrary task, especially when the majority of those workers are members of family units which will continue to provide them with shelter and food even if they were not working. In fact, any attempt to impute a monetary value to those incomes faces the following problems: 1) to establish the type and quality of the goods and services which make up those incomes; 2) to establish the exact quantities of those goods and services; and 3) the adoption of a price-rate to calculate the value form of those quantities of goods and services.

The income per hour (w_i) was calculated for each worker as shown by the following formula:

$$w_i = \frac{y_i}{4.3} \Big/ (w\text{-}h)_i$$

where, w_i is income per hour of worker i,

y_i is the monthly income of worker i,

$(w\text{-}h)_i$ is the week-hours of worker i, and

4.3 is a constant that represents the average number of weeks in a month.

The average income per hour of a group of workers of size n was calculated as:

$$\bar{w} = \sum_{i=1}^{n} w_i \Big/ n$$

where, $\bar{w}$ is the average income per hour of a group of workers of size n,

$\sum_{i=1}^{n} w_i$ is the sum of incomes per hour of all the workers in a group, and

n is the number of workers in a group of size n.

In the previous Chapter we calculated the average income per hour obtained by the workers of the capitalist and non-capitalist sector of the Colombian urban economy, in October 1977; and we mentioned that the overall pay differential between the two sectors was 62.2 per cent. However, a closer examination of the evidence based on Cairnes' 'non-competing groups' proposition will permit us to show that, in fact, there is little meaning, if any, attached to that differential due to the heterogeneous nature of the groups being compared. Tables 18-21 are used to illustrate this point. In them, we present the evidence on earnings and work-hours of the workers of the capitalist and non-capitalist sector, classified by occupation

Table 18: Average Monthly Earnings, Week-hours and Income per Hour of the Workers of the Capitalist and Non-capitalist Sector by Manual and Non-manual Occupations: Bogotá, Cali Medellín and Barranquilla, October 1977 *

(pesos)

Average:**	Manual Workers			Non-manual Workers			All Workers		
	Capitalist Sector	Non-Capitalist Sector	Total	Capitalist Sector	Non-Capitalist Sector	Total	Capitalist Sector	Non-Capitalist Sector	Total
Monthly Earninge (pesos)	4,857	3,909	4,476	8,810	6,355	8,617	6,461	4,102	5,462
Week-hours	50.5	49.2	50.0	42.3	37.9	42.0	47.2	48.6	47.2
Income per hour (pesos)	22.4	18.5	20.8	48.4	39.0	47.7	31.8	19.6	26.9
Times the Minimum Wage***	2.2	1.8	2.0	4.7	3.8	4.6	3.1	1.9	2.6
% of Workers	42.0	28.2	(70.2)	27.5	2.3	(29.8)	69.5	30.5	100.0

* The information on labour incomes used in this study is based on what the worker declared to be his total income during October 1977 before deductions were made for social security, tax or any other contribution to which the worker is liable. In the light of a second survey carried out by CEDE on income verification, Appendix C-1 analyses the problems faced when measuring income and discusses possible sources of bias.

** The non-paid family workers have been excluded from the calculations. Number of Cases: 2087; Missing Cases: 159 (105 of them are family workers).
In October 1977, 100 Colombian pesos represented approximately £1.

*** In October 1977, the hourly minimum wage amounted to 10 pesos and 20 cents (See Note 9).

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

(manual occupations being those performed by production workers, salesmen and commerce workers, and service workers and non-manual occupations those performed by technical and non-technical professionals, managers, directors, civil servants, and administrative and clerical personnel), and by occupational status (i.e. wage-earner, self-employed, family helper and employer).

The magnitude of the wage differentials presented in this Chapter, however, must be taken with some caution as some monetary and non-monetary benefits received by capitalist sector wage-earners have not been included in the data. As explained in Appendix C-1, the workers were asked for their total income before discounts which should have included their wages, bonuses, tips, overtime, subsidies, contributions to the national health, pension funds and so on. Nonetheless, when the data on incomes was checked through the income verification survey it appeared that wage-earners do not always seem to be able to disaggregate the payment for their labour into its component parts. In fact, it was found that some declared all their incomes, some included only part of the fringe benefits to which they are entitled and others did not include them at all.

There are many factors which can help to explain this situation. Firstly, the fact that in Colombia workers do not negotiate with their employers on the total yearly amount that they will be paid but on the monthly, weekly or daily wage which legally entitles the worker to a variety of fringe benefits that are not specified in the work contract. This explains why workers in Colombia are never certain about their real earnings. Secondly, the fact that workers are not entitled to some of the benefits unless they have worked for the same employer for at least 6 months in some cases, 1 year in others or 20 years as

in the case of pensions. This, coupled with the fact that most of the monetary benefits to which the worker is entitled are not paid evenly throughout the year, but in the form of a lump sum paid at certain points in time, explains why workers do not record those benefits as part of their permanent income. Thirdly, the measurement of 'real' labour incomes is further complicated by the fact that it cannot be assumed that all wage-earners are paid the benefits to which they are legally entitled since Colombian employers do not always abide by the law and, traditionally, have found ways of escaping their obligations.

Thus, in so far as capitalist sector wage-earners tend to disregard some of the monetary and non-monetary benefits when declaring their incomes, it is fair to assume that the 'real' income of these workers is higher than that indicated by the data and, consequently, the wage differentials between capitalist and non-capitalist sector workers should be expected to be some wider than the ones presented in this Chapter. However, as indicated in Appendix C-1, the exact magnitude of the bias cannot be established partly because some of the fringe benefits were not declared by the wage-earners and partly because the incomes given by non-capitalist sector workers are not the 'real' figure either, with the disadvantage that there is no certainty as to whether those incomes are underestimated or overestimated. These problems, however, are not peculiar to CEDE's survey but are faced by all surveys in which an attempt is made at measuring labour incomes; the latter remaining as one of the major unsolved problems of survey techniques.

The exclusion of some benefits from the data on incomes, however, does not affect drastically the validity of the analysis that follows. The main reason being that in a low wage economy such as that of Colombia, workers do not compete in the labour market on the basis of exhaustive calculations that include every single monetary and non-monetary benefit to which they are legally entitled, but on the basis of what they perceive their income to be, i.e. the cash they are left with regularly to attend to the immediate needs of their families. This is particularly true among low earning workers who, due to the nature of their needs, aim at maximizing their 'present' welfare rather than their 'future' welfare by preferring the job that leaves them with more cash in hand. This and the rather peculiar nature of the system of fringe benefits that operates in Colombia explain to a large extent why the worker's decision to take or leave a job is mostly taken on the basis of the basic wage offered, with little consideration for the fringe benefits that go with it. Thus, even though from the point of view of welfare considerations what matters is the 'real' income of workers, in the context of this analysis it would be incorrect to assume that the supply price of low-paid labour is determined by the 'real' reward that workers actually get because the workers themselves do not compete in those terms.

Bearing in mind (i) that this Chapter's main concern is to establish whether or not the workers engaged in non-capitalist activity exert a downward pressure on the level of wages that are paid by capital to its work force - keeping wages at their supply price and (ii) that in the labour market workers

compete on the basis of what they perceive their income to be rather than on the basis of exact calculations that include every single fringe benefit, we shall now proceed to examine the earnings and work-hours of the workers of the Colombian urban economy.

Table 19 illustrates the differentials in income and work-hours between different groups of workers. We derived these differentials from the evidence contained in Table 18.

Table 19: Average Monthly Income, Work-Hours and Income per Hour Differentials by Occupation and Sector of the Economy: Bogotá, Cali, Medellin and Barranquilla, October 1977.

Groups	Monthly Income Differential (%)	Work-hours Differential (%)	Income per Hour Differential (%)
1. Workers of the capitalist sector versus Workers of the non-capitalist sector	57.5	- 2.9	62.2
2. Non-manual workers versus Manual workers	92.5	- 16.0	129.3
3. Non-manual workers of the capitalist sector versus Manual workers of the capitalist sector	81.4	- 16.2	116.1
4. Non-manual workers of the non-capitalist sector versus Manual workers of the non-capitalist sector	62.6	- 23.0	110.8
5. Non-manual workers of the capitalist sector versus Non-manual workers of the non-capitalist sector	38.6	11.6	24.1
6. Manual workers of the capitalist sector versus Manual workers of the non-capitalist sector	24.2	2.6	21.1

Source: Table 18.

As can be observed from this Table, the differential in average earnings between the workers of the two sectors is much lower when more homogeneous groups of workers are considered. In fact, the differential in the average earnings per hour between the workers of the two sectors dropped from 62.2 per cent on the aggregate to

21.1 per cent in the case of manual occupations and to 24.1 per cent in the case of non-manual occupations. On the other hand, it can be observed that the differential between these 'non-competing groups' is 116.1 per cent in the case of the capitalist sector and 110.8 per cent in the case of the non-capitalist sector. Thus, while in the capitalist sector 40 per cent of the workers earn 116.1 per cent more than the other 60 per cent, this 60 per cent of manual workers only earn on average 14.3 per cent more than that which the workers of the non-capitalist sector earn on average; or, at most, 21.1 per cent more than the manual workers of the non-capitalist sector earn. However, more striking results are obtained if the information contained in Table 18 is further broken down by the occupational status of the workers, as shown by Table 20 overleaf.

From the standpoint of our argument, the evidence contained in Table 20 is indeed very interesting. As expected, the average wage rate of the manual wage-earners engaged in the capitalist sector is rather similar to the average income obtained per hour by the workers of the non-capitalist sector and especially to that obtained by the self-employed in manual occupations, but quite different from that obtained by non-manual workers. For instance, the average wage-rate paid in the capitalist sector to the manual wage-earners (54 per cent of the workers engaged in that sector) is only 4 per cent higher than the average income obtained per hour of work by the manual self-employed of the non-capitalist sector (60 per cent of the workers engaged in that sector), although it is 7 per cent lower than the average income obtained per hour by the workers of the non-capitalist sector taken as a whole. In terms of monthly incomes these differentials are not very different: 8.9 per cent and 4 per cent respectively.

Table 20: Average Monthly Earnings, Week-hours and Income per Hour of the Workers of the Capitalist and Non-capitalist Sector by Manual and Non-manual Occupations and by Occupational Status of the Workers: Bogotá, Cali, Medellín and Barranquilla, October 1977 (pesos) [1]

	Wage-earners		Self-employed		Employers		Total	
	Capitalist Sector	Non-Capitalist Sector	Capitalist Sector	Non-Capitalist Sector	Capitalist Sector	Non-Capitalist Sector	Capitalist Sector	Non-Capitalist Sector
Manual Workers								
Monthly Earnings (pesos)	3,943	2,571	5,117	3,621	15,571	7,124	4,857	3,909
Week-hours	50.0	49.8	46.7	47.8	53.7	56.1	50.5	49.2
Income per hour (pesos)	18.3	12.0	25.5	17.6	67.4	29.5	22.4	18.5
Times the Minimum Wage	1.79	1.18	2.50	1.72	6.61	2.89	2.20	1.81
% of Workers	53.4	8.2	1.6	26.1	4.9	5.8	59.8	40.2
Non-manual Workers								
Monthly Earnings (pesos)	7,511	3,369	13,985	6,145	24,072	14,450	8,810	6,355
Week-hours	42.2	44.7	35.8	36.5	47.6	38.8	42.3	37.0
Income per hour (pesos)	41.4	17.5	90.8	39.1	117.6	86.6	48.4	39.0
Times the Minimum Wage	4.06	1.72	8.90	3.83	11.53	8.49	4.75	3.82
% of Workers	83.5	2.3	2.4	4.6	6.2	1.0	92.3	7.7
All Workers								
Monthly Earnings (pesos)	5,366	2,655	8,618	3,796	18,562	7,612	6,461	4,102
Week-hours	46.9	49.3	42.4	47.2	51.6	54.9	47.2	48.6
Income per hour (pesos)	26.6	12.5	47.3	18.7	83.7	32.2	31.8	19.6
Times the Minimum Wage	2.61	1.23	4.64	1.83	8.21	3.16	3.12	1.92
% of Workers	62.4	6.5	1.8	19.7	5.2	4.4	69.5	30.5

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

By contrast, as Table 20 shows, the differentials that exist within the capitalist sector between the wage-rate paid to the manual wage-earners and the rest of the workers are very wide. For instance, the average wage-rate paid to the non-manual wage-earners is 126 per cent higher than that paid to the manual wage-earners. In terms of monthly earnings, this differential decreases to 90.5 per cent, although it is also true that the manual wage-earners work, on average, 7.8 hours per week more than the non-manual wage-earners. Similarly, wide average differentials can also be observed among the workers of the non-capitalist sector. For instance, while the manual wage-earners and self-employed taken as a group (79 per cent of the workers in that sector) earned on average 16.2 pesos per hour, the other 21 per cent of the workers earned on average 33.0 pesos per hour; which means that a 104 per cent differential existed, in October 1977, between these two groups of non-capitalist sector workers.

In relation to the occupation and occupational status of the workers, we can distinguish between four distinct grades of labour; the passage from the lower into the next higher one being in each case hindered by various circumstances among which qualifications and the ownership of the means of production play an important role. The higher grades constitute 'non-competing groups' - that is, groups which do not compete among themselves for employment in the context of the labour market. The lower grades contain the majority of the working population, and each one constitutes a 'competing group' in terms of the labour market. Table 21 overleaf illustrates this classification with particular reference to the Colombian case.

As can be observed in Table 21, significant pay differentials do not exist among competing groups of workers. In the case of manual workers, the wage-rate differential between both the

Table 21: Classification of 'Non-competing' and 'Competing' Groups of Workers

		Monthly Income (pesos)	Hourly Income (pesos)	% of workers	% of workers with other jobs
I. 'Non-competing groups':					
a. Grade 1 (6.3%)	Non-manual employer of the capitalist sector	24,072	117.6	29.5	18.4
	Non-manual self-employed of the capitalist sector	13,985	90.8	11.6	20.0
	Non-manual employer of the non-capitalist sector	14,450	86.6	4.6	33.3
	Manual employer of the capitalist sector	15,571	67.4	54.3	8.6
				100.0	
b. Grade 2 (5.2%)	Manual employer of the non-capitalist sector	7,124	29.5	78.5	8.3
	Manual self-employed of the capitalist sector	5,117	25.5	21.5	13.0
				100.0	
II. 'Competing groups':					
a. Grade 3 (26.9%)	Non-manual wage-earners of the capitalist sector	7,511	41.4	92.4	12.3
	Non-manual self-employed of the non-capitalist sector	6,145	39.1	5.1	21.4
	Non-manual wage-earners of the non-capitalist sector	3,369	17.5	2.5	21.4
				100.0	
b. Grade 4 (61.6%)	Manual wage-earners of the capitalist sector	3,943	18.3	60.9	7.1
	Manual self-employed of the non-capitalist sector	3,621	17.6	29.7	4.3
	Manual wage-earners of the non-capitalist sector	2,571	12.0	9.4	4.2
				100.0	

The figures in ( ) represent the percentage of workers contained by each group.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

wage-earners and self-employed of the non-capitalist sector (79 per cent of the workers in that sector) and the manual wage-earners of the capitalist sector (54 per cent of the workers in that sector) is 13 per cent, while that between the latter and the manual self-employed of the non-capitalist sector (60 per cent of the workers in that sector) is 4 per cent. However, attention must be paid to the fact that not only the differential between these competing groups of manual workers is very low but also their pay in absolute terms: the manual wage-earners of the capitalist sector earn on average 1.79 times the minimum wage and the manual self-employed of the non-capitalist sector earn, on average, 1.72 times the minimum wage. [9]

An explanation of this state of things is not very difficult to find. It is certainly related to the fact that a large proportion of workers engaged in non-capitalist activity are in and out of employment and, therefore, effectively competing in the urban labour market for the jobs currently being held by the wage-earners of the capitalist sector, preventing the average level of wages from rising above the level determined by the supply. This is particularly true among the manual workers in the lower grade of our classification.

In short, the evidence examined so far clearly suggests that, as regards the wide and persistent gap between certain income groups in Colombia's four largest cities, the real contrast is to be found between the lower grade of workers (i.e. capitalist sector manual wage-earners and non-capitalist sector manual self-employed) and the other grades, rather than between capitalist and non-capitalist sector workers _per se_. In effect, if all the workers in the lower grade are taken as a whole, it is found that 61.6 per cent of the total working population receiving a monetary income, in October 1977, had an average monthly income of 3,714 pesos and worked 49.3 hours

a week; the average price of an hour of work being 17.5 pesos, or 1.7 times the minimum wage. In contrast, the rest of the working population of Colombia's four main cities (grades 1 to 3, according to our classification) earned an average monthly income of 9,068 pesos and worked, on average, 44.9 hours a week; the average income per hour being 47.0 pesos, or 4.6 times the minimum wage. The wage differential between these two groups of workers is indeed significant: 168.6 per cent in terms of income per hour and 144.2 per cent in terms of monthly income.

In what follows, we shall expand the analysis of pay differentials a stage further by introducing some personal characteristics of the workers. Table 22 overleaf, summarizes the distribution of the workers according to the following personal characteristics: sex, education, age, migration status, family relationship and the holding of secondary jobs. The definition of these variables can be seen in the same Table.

Although we shall be examining in some detail the occupational structure and the earnings and work-hours situation of the work force in relation to each of these six characteristics, it is nonetheless instructive to look briefly at the overall picture presented by Table 22.

Bearing in mind that 32.5 per cent of the workers in Colombia's four largest cities are engaged in non-capitalist activities and that the other 67.5 per cent work in the capitalist sector, the evidence in Table 22 does not show any characteristic of the workers as being exclusive to one or the other sector. However, in relative terms some trends can be observed. For instance, women have a higher participation in the non-capitalist sector (39.0 per cent) in comparison to their participation in the capitalist sector

Table 22: Summary of the Workers' Distribution between the Capitalist and the Non-capitalist Sector According to the Personal Characteristics of the Workers (percentages)

Personal Characteristics of the Workers	Vertical Distribution			Horizontal Distribution		
	Non-capitalist Sector	Capitalist Sector	Total	Non-capitalist Sector	Capitalist Sector	Total
1. Sex						
- Male	61.0	69.2	66.5	29.9	70.1	100.0
- Female	39.0	30.8	33.5	38.1	61.9	100.0
2. Education						
- None	4.3	1.7	2.5	56.6	43.4	100.0
- Primary	57.5	34.1	41.8	45.0	55.0	100.0
- Secondary	31.2	43.3	39.4	25.9	74.1	100.0
- University	7.0	20.9	16.3	14.0	86.0	100.0
3. Age						
- Less than 35 years	49.5	59.9	56.5	28.6	71.4	100.0
- 35 years to 50 years	31.3	30.1	30.5	33.5	66.5	100.0
- More than 50 years	19.2	10.0	13.0	48.2	51.8	100.0
4. Migration						
- Recent Migrant (less than 5 years)	11.9	9.5	10.3	38.0	62.0	100.0
- Long-term Migrant (5 years to 94 years)	39.0	42.3	41.2	31.1	68.9	100.0
- Non-migrant	49.1	48.2	48.5	33.2	66.8	100.0
5. Family Relationship						
- Householder	42.8	43.6	43.3	32.1	67.9	100.0
- Non-householder	57.2	56.4	56.7	32.9	67.1	100.0
6. Secondary Jobs						
- Yes	5.8	9.5	8.3	22.9	77.1	100.0
- No	94.2	90.5	91.7	33.5	66.5	100.0
Total	100.0	100.0	100.0	32.5	67.5	100.0

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

(30.8 per cent). The average levels of education are higher among those workers engaged in the capitalist sector than the levels attained by the non-capitalist sector's workers: 61.8 per cent of the workers in the latter sector have only some primary education or less, while, in contrast, 64.2 per cent of the workers of the capitalist sector have some secondary education or higher. The age structure of the workers engaged in non-capitalist activities is more mature than the one observed among the workers of the capitalist sector. Thus, while in the capitalist sector 59.9 per cent of the workers are 35 years of age or less and only 10 per cent are 50 years of age or more, in the non-capitalist sector these percentages are 49.5 per cent and 19.2 per cent respectively. [10]

Differences between the sectors, as regards the migration status of the workers, are almost non-existent. [11] However, it can be noticed that migrants with less than five years of residence and the native population have a slightly higher participation in non-capitalist activities, while migrants with five or more years of residence tend to concentrate more in the capitalist sector of the economy. As regards the family relationship of the workers with the householder (usually, but not necessarily, the chief wage-earner of the household) there is practically no difference between the two sectors, although among the workers of the capitalist sector, householders have a slightly higher participation. [12] Of the workers who have more than one job (e.g. set of tasks performed by the worker within the context of a particular firm or business), 77.1 per cent have their main job in the capitalist sector. Thus, for reasons which will be discussed later, it is more common to find workers with more than one job among the workers of the capitalist sector, than it is among the workers of the non-capitalist sector.

The relatively higher participation of women, the lower level of education and the more mature age structure that prevail among the workers of the non-capitalist sector are factors that could help to explain the lower level of earnings of that sector compared to that of the workers of the capitalist sector. However, in the context of the present study we are more interested in establishing whether or not there are significant differentials between the earnings of competing groups of workers with similar personal characteristics but engaged in different sectors of the urban economy. In order to clarify this point we shall now examine the earnings and work-hours situation of the workers in relation to the personal characteristics mentioned above.

(i) Sex

Among the working population of Colombia's four largest cities, 66.5 per cent of the workers are men and 33.5 per cent are women.[13] In relative terms, however, women have a higher participation among the workers in commerce (42.3 per cent) and services (37.0 per cent),[14] among those who work in a 'home' (56.1 per cent) and among those who work as self-employed (38.5 per cent), non-paid family workers (55.2 per cent) and non-manual wage-earners (41.9 per cent). On average, men earn 6,533 pesos a month, while women earn only 3,336 pesos, which is approximately half of what men earn; the average working week being 49.3 hours and 43.2 hours respectively. Thus, while the average income per hour for men is 30.8 pesos, for women it is 18.0 pesos, i.e. 62.5 per cent of the pay of men.[15] In terms of the pay differential, it can be said that one hour's work by a man generates, on average, 71 per cent more income than one hour's work by a woman.[16]

However, when the distribution of the labour force by sex is

analyzed for the capitalist and non-capitalist sector separately, some relative differences can be observed. As regards the relative participation of the workers by sex in non-capitalist activity, it was found that women have a higher participation rate than that of men: 38 per cent of the total female working population is engaged in non-capitalist activity, while among men this proportion is 30 per cent. On the other hand, the relative participation of women in the labour force is much higher among the workers of the non-capitalist sector (39 per cent) than in the capitalist sector of the urban economy (30.8 per cent). The higher relative participation of women in the non-capitalist sector of Colombia's four largest cities can be explained not only by the fact that capitalist employers tend to discriminate against women when hiring personnel, forcing them to seek employment in non-capitalist activity, but also by the fact that employment in non-capitalist activity offers certain advantages which the capitalist sector cannot offer to its wage-earners, whether male or female. For women who cannot work long hours and/or require a flexible working-time and/or cannot leave home on a regular basis due to their domestic tasks, employment which involves being away from home for a determinate number of hours every day might prove unsuitable.

As can be observed from the evidence contained in Table 23 overleaf, the fact that 83 per cent of the women engaged in non-capitalist activity work in a 'home' and 85.6 per cent of them work as self-employed, non-paid family workers or employers, which gives them greater control over the number of hours they work and at what time of the day they work, seems to confirm this hypothesis. By contrast, 96.2 per cent of the women employed by the capitalist sector work in a 'fixed place' and 92.4 per cent are wage-earners, which means that they have no control over the number of hours they

Table 23: Distribution of the Workers of Colombia's Four Largest Cities by Sex and by Sector of Economic Activity, Place of Work and Occupational Category: Non-capitalist and Capitalist Sector (percentages)

A. Sector of Economic Activity

	Non-capitalist Sector				Capitalist Sector			
Sex	Production	Commerce	Services	Total	Production	Commerce	Services	Total
Male	46.4	40.5	13.1	100.0	48.6	16.1	35.3	100.0
Female	34.1	43.8	22.1	100.0	31.6	27.6	40.8	100.0
Total	41.6	41.3	17.1	100.0	43.3	19.7	37.0	100.0

B. Place of Work

	Non-capitalist Sector				Capitalist Sector			
Sex	Fixed Place	Home	Street	Total	Fixed Place	Home *	Street	Total
Male	21.1	40.1	38.8	100.0	80.6	1.2	18.2	100.0
Female	7.2	83.0	9.8	100.0	96.2	2.0	1.8	100.0
Total	15.7	56.9	27.4	100.0	85.4	1.4	13.2	100.0

C. Occupational Category

	Non-capitalist Sector									
	Manual Occupations					Non-manual Occupations				
Sex	Wage Earner	Family Worker	Self-Employed	Employer	Total	Wage Earner	Family Worker	Self-Employed	Employer	Total
Male	20.9	8.7	55.2	15.2	100.0	30.0	-	60.0	10.0	100.0
Female	14.1	15.7	61.2	9.0	100.0	19.0	14.3	52.4	14.3	100.0
Total	18.3	11.4	57.5	12.8	100.0	25.5	5.9	56.9	11.7	100.0

	Capitalist Sector									
	Manual Occupations					Non-manual Occupations				
Sex	Wage Earner	Family Worker	Self-Employed	Employer	Total	Wage Earner	Family Worker	Self-Employed	Employer	Total
Male	86.2	1.8	2.9	9.1	100.0	86.0	-	4.4	9.6	100.0
Female	89.2	4.9	1.8	4.1	100.0	95.6	1.8	-	2.6	100.0
Total	86.9	2.6	2.6	7.9	100.0	89.8	0.7	2.6	6.9	100.0

* Not representative

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

work - the time-table, as well as the number of hours they work per day, generally being determined by the employer. As regards the female wage-earners employed by the capitalist sector, it is worth pointing out that 52 per cent of them are engaged as non-manual workers, while this proportion is only 34 per cent in the case of male wage-earners. To a great extent, this is explained by the high participation of women in clerical and secretarial work.

Table 24 overleaf, summarizes the income and work-hours situation of the workers of the capitalist and non-capitalist sector by sex and both occupation and occupational category. The non-paid family workers were excluded from these calculations. As mentioned above, the overall pay differential between men and women is 71 per cent in the Colombian urban economy. However, the pay differential between sexes tends to lessen in the case of manual workers, while it increases in the case of non-manual workers. Furthermore, in the non-capitalist sector this differential turns in favour of women in the case of non-manual wage-earners, non-manual self-employed and manual employers. This helps to reduce the pay differential between sexes in the non-capitalist sector to 33 per cent, while in the capitalist sector it remains at 71 per cent. In relation to the work hours associated with each group of workers, women generally work less hours than men. However, the women engaged in non-capitalist activity work, on average, two hours less than the women employed by the capitalist sector. The opposite can be observed for men: the men engaged in non-capitalist activity work, on average, four hours per week more than their equivalents in the capitalist sector.

In relation to the broader argument of this thesis, however, a closer examination of the evidence presented in Table 24 raises

Table 24: Monthly Income, Week-hours and Income per Hour of the Workers of the Capitalist and Non-Capitalist Sector of Colombia's Four Largest Cities by Occupational Category and Sex

(pesos 1977)

Occupational Status	SEX											
	MALES						FEMALES					
	Non-capitalist			Capitalist			Non-capitalist			Capitalist		
	y	h/week	y/h	y	h/week	y/h	y	h/week	y/h	y	h/week	y/h
Non-manual wage-earner	3.225	51.3	14.8	9.510	43.0	51.4	3.625	29.8	28.3	4.771	41.2	26.9
Manual wage-earner	3.057	49.6	14.3	4.331	51.1	19.7	1.438	49.9	6.7	2.825	47.1	13.9
Non-manual self-employed	6.444	43.7	34.3	13.997	35.7	91.2	5.654	24.6	53.4	-	-	-
Manual self-employed	4.441	53.3	19.4	5.089	48.3	24.5	2.456	40.1	14.2	3.250	39.5	19.1
Non-manual employer	24.667	56.7	101.2	26.358	48.6	126.1	4.233	37.7	26.1	11.500	41.3	64.8
Manual employer	7.279	56.8	29.8	16.803	54.2	72.1	7.357	54.1	31.6	8.125	50.8	37.2
TOTAL	4.801	52.6	21.2	7.521	48.5	36.1	2.879	42.1	15.9	4.009	44.1	21.1

Abbreviations: y=average monthly income; h/week=average week-hours; y/h=average income per hour.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty.

some interesting points. For both women and men, if we compare the average income obtained per hour by the manual self-employed worker of the non-capitalist sector with that obtained by the manual wage-earners of the capitalist sector, we find that the remuneration for an hour of work of the non-capitalist workers is almost equal to that obtained by their equivalents in the capitalist sector. Let us take the case of men first. 55.8 per cent of the men engaged in non-capitalist activity work as manual self-employed, their average income per hour being 19.4 pesos. Similarly, in the capitalist sector 57.5 per cent of the men work as manual wage-earners receiving an average income per hour of 19.7 pesos. In terms of monthly income, however, this 1.5 per cent differential turns into a 2.5 per cent differential in favour of the non-capitalist sector workers, because they work, on average, 2.2 hours more per week.

In the case of women, the remuneration for an hour of work by the manual self-employed worker engaged in non-capitalist activity (66.7 per cent of the women employed in that sector) is, on average, 2.2 per cent higher than that obtained by the manual wage-earners of the capitalist sector (44 per cent of the women employed in that sector). However, the fact that the women employed by the capitalist sector work, on average, seven hours more per week shows itself in a higher monthly income or in a differential of 15 per cent. As mentioned earlier, the explanation for this may lie in the fact that for a high proportion of women their domestic tasks do not allow them to work for such long hours.

Thus, if we accept that it is reasonable to assume that, if jobs were available in the capitalist sector, most of the workers presently engaged in non-capitalist activity could only aspire to work in the capitalist sector as wage-earners in manual occupations,

the evidence analyzed so far suggests that there is no major monetary incentive for the average worker engaged in non-capitalist activity to seek employment in the capitalist sector at the present level of wages. More precisely, on average, there is no monetary incentive for 76.0 per cent of the men and 84.5 per cent of the women currently engaged in non-capitalist activity to change their employment situation. In this respect, it might be interesting to mention that most of the non-capitalist workers interviewed by the author during fieldwork in Bogotá, as well as representatives of the biggest union of street vendors (SINUCOM), expressed that at the present level of wages they were not willing to employ themselves as wage-earners. Although they recognized that employment in the capitalist sector has advantages such as regular income, paid holidays, illness leave, affiliation to the national health service, pensions funds and other fringe benefits, [17] they feel that, in the long-term, most of those advantages are largely counteracted by the low income and lack of job security attached to the lower grade of jobs in the capitalist sector. [18]

(ii) Education

This variable refers to formal education, which was codified in the following way: (1) no education; (2) primary: complete and incomplete; (3) secondary: complete and incomplete (includes secretarial studies, accountancy, teachers training and both academic and technical secondary); (4) university: complete and incomplete (includes post-graduate studies). In October 1977, the working population of Colombia's four largest cities showed the following distribution by levels of formal education: 2.5 per cent had none, 41.8 per cent had some primary, 39.4 per cent had some secondary and 16.3 per cent had some university. It must be remembered that in

Colombia the educational level attained by an individual depends to a large extent on the available funds he (or his family) has to spend on his education (these also include the opportunity cost to the student) due to the inadequacy of public financing (e.g. in Colombia public funds are not available to finance the whole of an individual's education) and the difficulty in obtaining private loans for educational purposes. [19]

Table 25 overleaf shows the main features of the capitalist and non-capitalist sectors of the Colombian urban economy in relation to the educational level of their workers. As expected, the workers of the non-capitalist sector have, on the whole, a lower level of education than the workers of the capitalist sector: 61.8 per cent of the workers engaged in non-capitalist activity have some primary or less, while this proportion is 35.8 per cent among the workers of the capitalist sector. This contrast is especially noticeable in the case of commerce and service workers.

However, when the workers are classified according to their occupation and occupational status, the differences in the levels of education between the workers of the two sectors tend to lessen quite considerably in the case of manual occupations. Among the non-capitalist workers, the non-paid family workers and the self-employed have a lower level of education. It is interesting to note, however, that among the manual workers of the non-capitalist sector the educational structure of the wage-earners is slightly better than that of the self-employed; a fact which, as we shall see later, does not reflect itself in the average earnings of each group. Finally, mentioned must be made of the fact that the educational level of the manual wage-earners of the capitalist sector is higher than that of the manual self-employed of the non-capitalist sector,

Table 25: Distribution of the Workers of Colombia's Four Largest Cities by Educational Level and by Sector of Economic Activity, Place of Work and Occupational Category: Non-capitalist and Capitalist Sector (Percentages)

A. Sector of Economic Activity

Formal Education	Non-capitalist Sector				Capitalist Sector			
	Production	Commerce	Services	Total	Production	Commerce	Services	Total
None	2.7	5.2	5.9	4.3	1.9	1.1	1.5	1.7
Some Primary	51.5	64.2	56.3	57.5	43.8	33.9	23.0	34.1
Some Secondary	36.2	26.5	30.2	31.2	39.0	56.9	41.3	43.3
Some University	9.6	4.1	7.6	7.0	15.3	8.1	34.2	20.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

B. Place of Work

Formal Education	Non-capitalist Sector				Capitalist Sector			
	Fixed Place	Home	Street	Total	Fixed Place	Home*	Street	Total
None	4.5	3.8	5.2	4.3	1.2	11.2	3.1	1.7
Some Primary	47.8	58.2	61.9	57.5	31.8	50.0	47.5	34.1
Some Secondary	37.8	31.7	26.3	31.2	44.8	27.8	35.9	43.3
Some University	9.9	6.3	6.6	7.0	22.2	11.0	13.5	20.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

C. Occupational Category

Formal Education	Non-capitalist Sector									
	Manual Occupations					Non-manual Occupations				
	Wage Earner	Family Worker	Self-Employed	Employer	Total	Wage Earner	Family Worker	Self-Employed	Employer	Total
None	3.4	1.4	5.8	3.6	4.6	-	-	-	-	-
Some Primary	57.1	68.4	60.9	53.4	60.0	38.4	66.7	21.4	-	26.0
Some Secondary	31.9	28.8	29.3	36.9	30.7	30.8	33.3	46.4	-	38.0
Some University	7.6	1.4	4.0	6.1	4.7	30.8	-	32.2	100.0	36.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Formal Education	Capitalist Sector									
	Manual Occupations					Non-manual Occupations				
	Wage Earner	Family Worker	Self-Employed	Employer	Total	Wage Earner	Family Worker	Self-Employed	Employer	Total
None	2.7	-	4.3	-	2.5	0.2	-	-	-	0.2
Some Primary	51.1	36.4	87.1	34.8	50.4	9.0	-	13.3	7.9	9.0
Some Secondary	39.9	59.1	4.3	47.8	40.0	51.0	100.0	6.7	26.3	48.4
Some University	6.3	4.5	4.3	17.4	7.1	39.8	-	80.0	65.8	42.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Not representative

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

although not to any significant extent. By contrast, in both sectors there is a significant difference between the educational structure of manual and non-manual workers. Bearing these considerations in mind, we now turn to an analysis of the incomes and work-hours differentials, by levels of education, that exist between the workers of the two sectors. The evidence is summarized in Table 26 overleaf.

From Table 26 it can be observed that there is a difference of approximately 2 pesos between the price of the labour of a capitalist and a non-capitalist worker, both with the same level of education; the only exception being those workers with some university education for whom the difference is 30 pesos. Although for each level of education the average wages paid in the capitalist sector are higher than those obtained by the workers of the non-capitalist sector, a closer examination of the evidence suggests that this does not apply to all types of workers.

To begin with, among the workers who have some primary education, the non-manual wage-earners and self-employed of the non-capitalist sector earn the same as, or more than, their counterparts in the capitalist sector. But, more important is the fact that the manual self-employed of the non-capitalist sector with some primary education earn on average 11.8 per cent more per hour, and 7.9 per cent more per month, than the manual wage-earners of the capitalist sector with the same level of education. As regards the group of workers who have some secondary education, the picture is very similar. Both the manual and non-manual self-employed of the non-capitalist sector have higher earnings than their counterparts in the capitalist sector. Similarly, the manual self-employed of the non-capitalist sector earn 10.3 per cent more per hour, and 1.6 per cent more per month, than

Table 26: Monthly Income, Week-hours and Income per Hour of the Workers of the Capitalist and Non-capitalist Sector of Colombia's Four Largest Cities by Occupational Category and Education

(pesos 1977)

Occupational Status	EDUCATION											
	NONE						SOME PRIMARY					
	Non-capitalist			Capitalist			Non-capitalist			Capitalist		
	y	h/week	y/h	y	h/week	y/h	y	h/week	y/h	y	h/week	y/h
Non-manual wage-earner	-	-	-	3.000	48.0	14.5	3.560	53.2	15.6	3.477	51.1	15.8
Manual wage-earner	1.150	59.0	4.5	1.804	51.1	8.2	2.444	52.3	10.9	2.977	51.3	13.5
Non-manual self-employed	-	-	-	-	-	-	2.900	38.0	17.7	3.000	47.0	14.8
Manual self-employed	1.556	48.5	7.5	7.000	50.0	32.6	3.213	49.4	15.1	5.160	47.1	25.5
Non-manual employer	-	-	-	-	-	-	-	-	-	19.667	57.3	79.8
Manual employer	2.000	46.7	10.0	-	-	-	6.402	61.3	24.3	17.854	60.7	68.4
TOTAL	1.530	49.8	7.1	2.082	51.3	9.4	3.463	51.3	15.7	3.952	51.7	17.8

Occupational Status	EDUCATION											
	SOME SECONDARY						SOME UNIVERSITY					
	Non-capitalist			Capitalist			Non-capitalist			Capitalist		
	y	h/week	y/h	y	h/week	y/h	y	h/week	y/h	y	h/week	y/h
Non-manual wage-earner	2.375	45.3	12.2	5.054	42.8	27.5	4.125	33.5	28.6	11.637	39.7	68.2
Manual wage-earner	2.253	47.5	11.0	4.505	48.9	21.4	5.711	34.0	39.1	8.572	45.8	43.5
Non-manual self-employed	7.100	41.2	40.1	2.320	20.0	27.0	7.555	35.7	49.2	16.788	35.2	110.9
Manual self-employed	4.577	45.0	23.6	4.500	48.0	21.8	5.167	46.1	26.1	3.000	36.0	19.4
Non-manual employer	-	-	-	13.180	43.1	71.1	17.160	43.6	91.5	28.920	48.3	139.2
Manual employer	8.103	52.3	36.0	13.045	49.6	61.2	10.250	42.3	56.3	19.636	49.0	93.2
TOTAL	4.787	46.3	24.0	5.340	49.4	25.1	7.515	40.1	43.6	13.073	41.5	73.3

Abbreviations: y=average monthly income; h/week=average week-hours; y/h=average income per hour.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty.

the manual wage-earners of the capitalist sector. Table 27 overleaf summarizes the comparison between these two groups of workers for both primary and secondary levels of education.

It can be observed from this Table that even when we consider these two levels of education together (the capitalist sector has a bigger proportion of workers with secondary education), the manual self-employed of the non-capitalist sector still obtain slightly higher monthly incomes on average than the manual wage-earners of the capitalist sector with a similar level of education. This comparison is significant since we are dealing with approximately 90 per cent of both manual wage-earners of the capitalist sector and manual self-employed of the non-capitalist sector.

In the case of workers with no education, or workers who have gone through university, the wages paid by the capitalist sector are higher than the earnings obtained by the workers of the non-capitalist sector with similar qualifications: 32 per cent and 68 per cent respectively. However, these workers represent a relatively low proportion of the total workers in each sector: 12.3 per cent in the non-capitalist sector and 22.8 per cent in the capitalist sector. In both sectors the workers with no formal education earn, on average, less than the minimum wage.

Once again, it can be argued that, at the present level of wages, there is no monetary incentive for 70.8 per cent of the workers of the non-capitalist sector (all the workers who have some primary or secondary education with exception of those who are wage-earners) to seek a job as manual wage-earners in the capitalist sector of the economy. In the case of the manual self-employed this proportion is 90.2 per cent. In fact, the average monthly earnings of this group of non-capitalist sector workers is higher

Table 27: Incomes and Work Hours Situation of the Manual Wage-earners (M W-E) of the Capitalist Sector and the Manual Self-employed (M S-E) of the Non-capitalist Sector who have some Primary and/or Secondary School Education (pesos)

	Primary			Secondary			Primary and/or Secondary		
	Non-cap. M S-E	Cap. M W-E	Diff. %	Non-cap. M S-E	Cap. M W-E	Diff. %	Non-cap. M S-E	Cap. M W-E	Diff. %
Monthly Earnings (pesos)	3,213	2,977	7.9	4,577	4,505	1.6	3,656	3,647	0.2
Week-hours	49.4	51.3	-3.8	45.0	48.9	-8.7	48.0	50.2	-4.5
Income per Hour (pesos)	15.1	13.5	11.8	23.6	21.4	10.3	17.7	16.9	4.7
Times the Minimum Wage	1.5	1.3		2.3	2.1		1.7	1.6	
% of Workers with the same Occupational Status	60.9	51.1		29.3	39.9		90.2	91.0	
% of Workers in the Sector	36.6	27.5		17.6	21.5		54.2	49.0	

Abbreviations: Non-Cap M S-E stands for non-capitalist sector manual self employed; Cap M W-E for capitalist sector manual wage-earner; and Diff. for average differential in monthly earnings, week-hours and income per hour between a non-capitalist sector manual self-employed and a capitalist sector manual wage-earner, with similar levels of education.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

than that obtained by the manual wage-earners of the capitalist sector, despite the fact that they work 2.3 hours less per week. In absolute terms, however, neither group of workers is well-off as is obvious from the low incomes and the long work-hours.

(iii) Age

The workers were classified into three age groups as follows: (1) less than 35 years of age (young); (2) 35 to 50 years of age (middle-aged); (3) more than 50 years of age (mature). This classification of age was thought to reflect the different stages in physical efficiency and working experience through which workers pass during their working lives. According to this classification, it was found that in Colombia's four main cities 56.5 per cent of the workers were under 35 years of age, 30.5 per cent were in the middle age-group and 13 per cent over 50 years of age. This age distribution of the working population corresponds to the age structure of the country's population which is characterized by a high proportion of young people.[20] Table 28 overleaf illustrates the distribution of the workers by age for the two sectors of the urban economy in relation to the sector of economic activity, place of work and both occupation and occupational category of the workers.

As can be observed from Table 28, the age composition of the capitalist sector work force is younger than that of the non-capitalist sector. Although this contrast holds for all sectors of economic activity, it is particularly noticeable in the case of commerce: in the capitalist sector 68.0 per cent of the workers engaged in commerce are under 35 years of age, whereas in the non-capitalist sector 53.1 per cent of the workers engaged in commerce are over 35 years of age. In both sectors, the workers who work in a fixed place and those who work as wage-earners (both manual and

Table 28: Distribution of the Workers of Colombia's Four Largest Cities by Age and by Sector of Economic Activity, Place of Work and Occupational Category: Non-capitalist and Capitalist Sector (percentages)

A. Sector of Economic Activity

Age-Group	Non-capitalist Sector				Capitalist Sector			
	Production	Commerce	Services	Total	Production	Commerce	Services	Total
35 years or less	51.7	46.9	50.4	49.5	60.3	68.0	55.1	59.9
35 to 50 years	31.6	32.2	28.1	31.3	29.3	23.3	34.7	30.1
50 years or more	16.7	20.9	21.5	19.2	10.4	8.7	10.2	10.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

B. Place of Work

Age-Group	Non-capitalist Sector				Capitalist Sector			
	Fixed Place	Home	Street	Total	Fixed Place	Home *	Street	Total
35 years or less	54.0	49.8	46.4	49.5	61.2	27.8	52.3	59.9
35 to 50 years	28.0	31.1	33.5	31.3	29.4	50.0	34.9	30.1
50 years or more	18.0	19.1	20.1	19.2	9.4	22.2	12.8	10.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

C. Occupational Category

Age-Group	Non-capitalist Sector									
	Manual Occupations					Non-manual Occupations				
	Wage Earner	Family Worker	Self-Employed	Employer	Total	Wage Earner	Family Worker	Self-Employed	Employer	Total
35 years or less	70.0	88.0	38.5	28.6	48.6	69.2	100.0	52.2	50.0	60.8
35 to 50 years	19.2	8.0	35.3	53.6	31.6	23.1	-	27.6	50.0	27.4
50 years or more	10.8	4.0	26.2	17.8	19.8	7.7	-	17.2	-	11.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Age-Group	Capitalist Sector									
	Manual Occupations					Non-manual Occupations				
	Wage Earner	Family Worker	Self-Employed	Employer	Total	Wage Earner	Family Worker	Self-Employed	Employer	Total
35 years or less	61.8	87.0	30.4	22.9	58.6	64.8	75.0	33.3	33.3	61.9
35 to 50 years	27.7	8.7	60.9	55.7	30.3	28.4	25.0	53.3	41.0	29.8
50 years or more	10.5	4.3	8.7	21.4	11.1	16.8	-	13.4	25.6	8.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Not representative

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

and non-manual)) tend to be much younger than those who work in the street or a 'home' and those who work as self-employed or employers. The younger age structure of the workers who work in a fixed place, however, is largely explained by the fact that wage-earners who present the youngest age structure of all workers, are strongly associated with that place of work. It is worth emphasizing that in conditions of labour abundance, employers should be expected to develop a preference for hiring young labour, especially when recruiting unskilled labour for intensive work. Young labour is not only physicially stronger but also cheaper due to lack of adequate work experience.

The middle and older age-groups, on the other hand, have a relatively high participation among the self-employed and employers. In the capitalist sector 68.4 per cent of the self-employed are over 35 years of age and among the employers this proportion is 73.4 per cent. In the non-capitalist sector the picture is similar. The self-employed and employers over 35 years of age account for 60.3 per cent and 70 per cent of the workers in these groups respectively. In fact, over three-quarters (76.5 per cent) of the elder workers engaged in non-capitalist activity are self-employed. This form of employment is particularly important among elder workers who are in need and/or willing to work but who, due to their age, have enormous difficulties in finding a job as wage-earners.

With age, as in the case of education, the level of income tends to increase with experience. However, as can be observed from Table 29, in both sectors this only holds for non-manual workers. In the case of manual workers, both the average monthly earnings and the price of labour drop when passing from the middle age-group to the mature group.[21] One possible explanation for this difference

Table 29: Monthly Income, Week-hours and Income per Hour of the Workers of the Capitalist and Non-capitalist Sector of Colombia's Four Largest Cities by Occupational Category and Age

(pesos 1977)

Occupational Status	AGE																	
	Less than 35 years						35 to 50 years						More than 50 years					
	Non-capitalist			Capitalist			Non-capitalist			Capitalist			Non-capitalist			Capitalist		
	y	h/week	y/h	y	h/week	y/h	y	h/week	y/h	y	h/week	y/h	y	h/week	y/h	y	h/week	y/h
Non-manual wage-earner	2.178	36.3	13.9	5.931	42.3	32.6	4.567	51.7	20.5	10.185	42.2	56.1	10.500	99.0	24.7	11.422	42.2	62.9
Manual wage-earner	2.071	48.3	10.0	3.390	49.8	15.8	4.371	57.3	17.7	4.994	51.0	22.8	2.615	45.9	13.2	4.423	50.9	20.2
Non-manual self-employed	4.244	34.3	28.8	2.232	30.4	17.1	8.725	44.4	45.7	16.703	38.5	100.9	8.100	30.8	61.2	32.500	36.5	207.1
Manual self-employed	3.145	45.3	16.1	3.357	40.3	19.4	4.109	50.3	19.0	6.014	53.2	18.0	3.658	47.7	17.8	5.000	48.0	24.2
Non-manual employer	12.267	41.0	69.6	14.254	48.9	67.8	16.633	36.7	105.4	27.719	46.8	50.3	-	-	-	28.300	47.1	139.7
Manual employer	5.800	55.4	24.3	12.813	55.0	54.2	8.193	57.6	33.1	16.128	55.6	98.3	6.033	52.7	26.6	17.067	47.3	83.9
TOTAL	3.180	45.8	16.1	4.719	46.8	23.4	5.345	52.4	23.7	8.798	48.1	42.5	4.042	47.8	19.7	9.462	47.9	45.9

Abbreviations: y=average monthly income; h/week= average week-hours; y/h=average income per hour.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty.

in the age-earnings profile of manual and non-manual workers could lie in the higher value attached to 'work experience' in the case of non-manual occupations. In manual occupations, by contrast, the work involved is more physical and therefore, as the workers age, their dexterity in the job may slacken despite the amount of work experience that they might have accumulated over the years. The effects of this on efficiency are obvious. By contrast, given the different nature of non-manual occupations, experience seems to have a more long-standing positive effect on income. In other words, the counteracting effects of age on experience appeared at a later stage in life in the case of non-manual workers than in the case of manual workers. In the capitalist sector this phenomenon is reflected in the way in which the wage differential between manual and non-manual wage earners increases with age: it increases from 106.3 per cent in the young age-group to 146.0 per cent in the middle age-group to 211.4 per cent in the mature age-group.

The average wage-rate differential between the two sectors increases with age from 49 per cent to 79 per cent to 133 per cent. However, the average wage-rate differential between the manual wage-earners of the capitalist sector and the manual self-employed of the non-capitalist sector, by age, is much lower and follows a different pattern. This differential increases from 2 per cent (favouring the non-capitalist workers) in the young age-group to 20 per cent in the middle age-group and decreases to 13 per cent in the mature age-group. In terms of monthly income, however, these differentials are much higher and favour the capitalist workers, due to the longer hours worked by this group; the differentials being 7.8 per cent, 21.5 per cent and 20.9 per cent. Although the middle-aged and mature manual self-employed and wage-earners of the non-capitalist sector would have been better off if they had joined the capitalist

sector when they were young, the fact remains that the majority of workers of the non-capitalist sector are better off than the majority of manual wage-earners of the capitalist sector: 61.8 per cent of the manual wage-earners of the capitalist sector are under 35 years of age and earn 15.8 pesos per hour (1.55 times the minimum wage). By contrast, 38.5 per cent of the manual self-employed engaged in non-capitalist activity are under 35 years of age and earn 1.58 times the minimum wage, while 35.3 per cent are middle-aged and earn 1.85 times the minimum wage, and 26.2 per cent are mature workers who earn 1.75 times the minimum wage.

(iv) Migration

According to their migration status, the workers were classified in the following three groups: (1) recent migrants: less than 5 years of residence in the city where they were surveyed; (2) long-term migrants: more than 5 years of residence in the city where they were surveyed; and (3) non-migrants or natives.

As mentioned in Chapter II, the rural-urban migration process in Colombia began in the 1920s and has accelerted since the 1940s, especially with regard to migration directed towards the major cities. It is obvious, therefore, that a high proportion of the population in those cities are immigrants. According to CEDE's survey, in October 1977, the composition of the working population in Colombia's four largest cities by migration status was as follows: 10.3 per cent of the workers were recent migrants, 41.2 per cent were long-term migrants and 48.5 per cent were natives. [22]

The fact that in most developing countries the majority of the population is concentrated in the rural areas led most analysts to believe that rural migrants, with few skills and little education, constituted the bulk of the immigrants into the cities. [23]

Coincidentally, the development of squatter settlements around the cities has given some support to this conclusion. It is, however, a matter of disagreement among analysts whether the bulk of migrants are in fact unskilled and un-educated workers or whether migration is highly selective in terms of education.

Among those who support the first view are the informal sector analysts who argue that the informal sector is the point of entry for immigrants into the large cities of developing countries; joining what is known to them as the 'working poor'. [24] Those who support the second view argue that most Latin American countries have medium size towns and cities from which skilled and educated workers migrate into the large cities. In addition, they argue that rural migration is highly selective, including a high proportion of migrants who stem from upper socio-economic strata such as landowners and merchants. [25]

In relation to the Colombian case, there are several studies which suggest that historically the migration process has been selective or, at least, heterogeneous. [26] There is a two-fold explanation for this hypothesis. Firstly, it is argued that the migrants who move towards the largest cities of the country come mainly from urban areas, since the migration process takes place in 'stages': the population of the rural areas tends to migrate to the district's capital (cabecera municipal), while, in turn, the population of the cabeceras tends to migrate to the region's capital (capital departamental). Similarly, the main flow of migrants into the major cities of the country, especially Bogotá, comes from cabeceras municipales and intermediate cities. [27] Secondly, it is also argued that the average migrant has a higher level of education and skills than that of the average native of his place of birth,

although they may be slightly lower to those of the native population of the town or city to which he emigrates.[28] Additionally, there are two further points on which all these analysts agree. Firstly, that the 'selectivity' in the migration process was much stronger in the past than it is at present. This is reflected by the higher differential that existed between the mature migrants and the native population of their place of birth, in terms of education and incomes at the time of migration, than that which can be observed in the case of recent migrants. Secondly, that migration as a factor of social mobility only operates among migrants who, in their places of origin, belong to the middle and upper socio-economic strata, since they are the ones who can take advantage of the better opportunities offered by large cities in the field of education and jobs. By contrast, migration has very little significance as a factor of social mobility for the bulk of semi-skilled and unskilled migrants whose socio-economic characteristics do not differ to any great extent from those of the natives of the cities who are in a similar situation - even if it is true that urban incomes remain higher than that of the rural areas.[29]

Our evidence on occupational and earnings characteristics of the working population by migration status further confirms the hypothesis about the 'selectivity' of the migration process in the past, by showing that the long-term migrants are better off on average than the native population of the cities, for both manual and non-manual occupations. This is particularly true among the workers of the capitalist sector, as we shall see later. Furthermore, our evidence suggests that the recent migrants who are engaged in non-manual occupations or as manual employers in the capitalist sector are, on average, better off than their equivalents who are natives. However, this does not hold among manual

wage-earners. Tables 30 and 31 offer a much clearer picture of this comparison, by presenting separately the information of the workers engaged in capitalist and non-capitalist activity.

Although the general distribution of the working population by migration status is very similar within the capitalist and non-capitalist sector of the Colombian urban economy, there are some interesting contrasts between them in relation to some occupational characteristics. As can be observed in Table 30, in both sectors the recent migrants and the non-migrants tend to have a higher participation in commerce, while the long-term migrants have a higher participation in production and services. In relation to the place of work, the recent migrants engaged in non-capitalist activity tend to have a relatively higher participation among the workers who work in a 'home', while the long-term migrants and non-migrants tend to be slightly more significant among the workers who work in the street and in a fixed place. On the other hand, among the workers of the capitalist sector the recent and long-term migrants have a slightly higher participation among the workers who work in the street, while the non-migrants tend to be associated with a fixed place.

As regards the manual workers it is interesting to note that those who are recent migrants and natives have a higher participation among the workers of the non-capitalist sector, while the long-term migrants are slightly more concentrated in the capitalist sector of the urban economy. Similarly, among the workers engaged in non-manual occupations both the recent and the long-term migrants have a higher participation among the workers of the capitalist sector, while the non-migrants are relatively more important in the non-capitalist sector. These results contrast strongly with the hypothesis of informal sector analysts concerning the importance of

Table 30: Distribution of the Workers of Colombia's Four Largest Cities by Migration Status and by Sector of Economic Activity, Place of Work and Occupational Category: Non-capitalist and Capitalist Sector, 1977 (percentages)

A. Sector of Economic Activity

Migration Status	Non-capitalist Sector				Capitalist Sector			
	Production	Commerce	Services	Total	Production	Commerce	Services	Total
Recent Migrant	10.6	13.1	12.5	11.9	9.3	10.0	9.5	9.5
Long-term Migrant	40.7	36.4	40.8	39.0	41.4	38.9	45.0	42.3
Non-migrant	48.7	50.5	46.7	49.1	49.3	51.1	45.5	48.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

B. Place of Work

Migration Status	Non-capitalist Sector				Capitalist Sector			
	Fixed Place	Home	Street	Total	Fixed Place	Home *	Street	Total
Recent Migrant	8.2	14.0	9.9	11.9	9.5	5.9	9.9	9.5
Long-term Migrant	41.8	38.4	38.5	39.0	41.4	58.8	46.1	42.3
Non-migrant	50.0	47.6	51.6	49.1	49.1	35.3	44.0	48.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

C. Occupational Category

Migration Status	Non-capitalist Sector									
	Manual Occupations					Non-manual Occupations				
	Wage Earner	Family Worker	Self-Employed	Employer	Total	Wage Earner	Family Worker	Self-Employed	Employer	Total
Recent Migrant	13.4	34.7	8.8	7.1	12.4	7.7	-	7.1	-	6.0
Long-term Migrant	35.3	8.0	45.6	44.1	39.2	23.1	66.7	42.9	16.7	36.0
Non-migrant	51.3	57.3	45.6	48.8	48.4	69.2	33.3	50.0	83.3	58.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Migration Status	Capitalist Sector									
	Manual Occupations					Non-manual Occupations				
	Wage Earner	Family Worker	Self-Employed	Employer	Total	Wage Earner	Family Worker	Self-Employed	Employer	Total
Recent Migrant	10.4	13.6	-	5.8	9.8	9.7	-	13.3	-	9.0
Long-term Migrant	42.2	31.8	45.5	50.7	42.8	40.8	25.0	33.3	55.3	41.5
Non-migrant	47.4	54.6	54.5	43.5	47.4	49.5	75.0	53.4	44.7	49.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Not representative

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

the so-called informal sector as a source of employment for migrants. Furthermore, it must be noted that among the manual workers, in both sectors, the recent migrants and the non-migrants are relatively more important among the wage-earners and non-paid family workers, while the long-term migrants have a relatively higher participation as employers. Similarly, among the non-manual workers the recent migrants and non-migrants are relatively more important among the wage-earners than the long-term migrants. However, in the non-capitalist sector the long-term migrants are relatively more important among the self-employed, while the non-migrants are extremely important among the employers. Contrariwise, in the capitalist sector the long-term migrants are relatively more concentrated among the employers, while the non-migrants and the recent migrants are relatively more important among the self-employed.

The relatively higher occupational status of the long-term migrants is reflected in their earnings: in both sectors they have, on average, the highest monthly income and income per hour. As can be observed in Table 31, this is true for all the occupational categories, when the long-term migrants are compared with the non-migrants of the capitalist sector; the only exception being the non-manual employers. Furthermore, with the exception of the manual wage-earners, the recent migrants engaged in the capitalist sector are also better off than the non-migrants. The monthly earnings differential between migrants and non-migrants is 25.2 per cent in the case of long-term migrants, and 8 per cent in the case of recent migrants. Although these differentials are partly explained by the fact that both types of migrants work, on average, much longer hours than the non-migrants in all occupational categories, with the exception of the long-term migrants who are manual self-employed, the main factor in explaining the higher

Table 31: **Monthly Income, Week-hours and Income per Hour of the Workers of the Capitalist and Non-capitalist Sector of Colombia's Four Largest Cities by Occupational Category and Migration**

(pesos 1977)

Occupational Status	MIGRATION																	
	Recent Migrant						Long-term Migrant						Non-migrant					
	Non-capitalist			Capitalist			Non-capitalist			Capitalist			Non-capitalist			Capitalist		
	y	h/week	y/h	y	h/week	y/h	y	h/week	y/h	y	h/week	y/h	y	h/week	y/h	y	h/week	y/h
Non-manual wage-earner	2.000	15.0	31.0	8.720	47.1	43.1	3.300	54.3	14.1	8.201	41.9	45.5	3.544	44.8	18.4	6.729	41.6	37.6
Manual wage-earner	2.294	51.0	10.5	3.481	54.3	14.9	2.918	50.4	13.5	4.202	50.7	19.3	2.315	49.7	10.8	3.838	48.4	18.4
Non-manual self-employed	2.250	28.0	18.7	19.050	52.5	84.4	7.892	32.8	55.9	23.400	36.2	150.3	5.607	42.6	30.6	6.685	33.9	45.9
Manual self-employed	4.134	49.2	19.5	-	-	-	3.688	48.2	17.8	6.640	45.9	33.6	3.419	41.4	19.2	3.608	48.4	17.3
Non-manual employer	-	-	-	-	-	-	9.000	45.0	46.5	21.086	50.7	96.7	15.540	37.6	96.1	23.470	43.7	124.9
Manual employer	9.367	52.8	41.3	20.250	59.3	79.1	7.730	54.9	32.7	18.814	55.6	78.7	6.834	57.6	27.6	11.783	50.3	54.5
TOTAL	3.652	48.8	17.4	6.231	51.8	28.0	4.334	48.7	20.7	7.225	47.8	35.1	3.967	45.4	20.3	5.769	45.7	29.4

Abbreviations: y=average monthly income; h/week= average week-hours; y/h=average income per hour.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty.

monthly incomes of migrants is the higher hourly rates that they get. These results are certainly consistent with the hypothesis concerning the selective character of the migration process in Colombia discussed above.

Among the workers of the non-capitalist sector, the long-term migrants have the highest average monthly income, followed by the non-migrants, although the income per hour is almost the same. Among the manual self-employed, however, the recent migrants show the highest income both in terms of monthly earnings and income per hour, followed by the long-term migrants and finally by the non-migrants. The manual self-employed represent approximately 60 per cent of the workers who earn a monetary income in each group of migrants. It is worth pointing out that the wage-rate obtained by the manual self-employed of the non-capitalist sector is higher than that of the manual wage-earners of the capitalist sector in the case of the recent migrants and non-migrants, although in terms of monthly incomes this only holds among the recent migrants. By contrast, among the long-term migrants the manual wage-earners of the capitalist sector are, on average, better off than the majority of non-capitalist workers (81 per cent).

(v) Family Relationship

This variable divides the workers into two groups: heads of households and those who are not. In CEDE's survey, the 'householder' was defined as the "person who the members of the household regard as the householder, irrespective of the level of his or her income".[30] Nevertheless, it should generally be expected that the householder's income be higher than that obtained by each of the other workers of the household for the following reasons: (i) the householder usually has a major responsibility towards the rest of

the family, and (ii) in the majority of households the 'chief wage-earner' is recognized as the householder.

In the four main cities of Colombia, 43.3 per cent of the workers are householders. A wide earnings differential exists between them and the non-householders. The householders earn, on average, a monthly income of 8,322 pesos, whereas for the other group of workers this is 3,280 pesos: 150 per cent differential. The difference in the average working-week is also noticeable between these two groups of workers: 50.6 hours and 44.6 hours respectively. In terms of income per hour this differential is 124.0 per cent: 38.2 pesos compared to 17.1 pesos.

Table 32 overleaf shows the distribution of the workers by family relationship with regard to some occupational characteristics of the workers, for both sectors of the urban economy. In both sectors the participation of the householders in production is relatively higher than that observed for non-householders, whereas the latter tend to be more important in commerce and services. In relation to the place of work, the householders of the non-capitalist sector are relatively more important among the workers who work in a 'fixed place' or the 'street', while the non-householders tend to be more important among the workers who work in a 'home': 66.2 per cent of the non-householders engaged in non-capitalist activity work in a 'home'. [31] By contrast, among the workers of the capitalist sector the 'householders' are relatively more important among the workers located in the 'street', whereas the other group tend to have a higher participation among those who work in a 'fixed place'.

A greater contrast between these two groups of workers is to be found in relation to their occupational category. Among the workers of the non-capitalist sector, the high participation of

Table 32: Distribution of the Workers of Colombia's Four Largest Cities by Family Relationship and by Sector of Economic Activity, Place of Work and Occupational Category: Non-capitalist and Capitalist Sector (percentages)

A. Sector of Economic Activity

Family Relation	Non-capitalist Sector				Capitalist Sector			
	Production	Commerce	Services	Total	Production	Commerce	Services	Total
Householder	45.2	41.8	39.0	42.8	47.3	32.0	45.4	43.6
Other	54.8	58.2	61.0	57.2	52.7	68.0	54.6	56.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

B. Place of Work

Family Relation	Non-capitalist Sector				Capitalist Sector			
	Fixed Place	Home	Street	Total	Fixed Place	Home *	Street	Total
Householder	52.2	33.1	57.2	42.8	41.5	38.9	57.4	43.6
Other	47.8	69.9	42.8	57.2	58.5	61.1	42.6	56.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

C. Occupational Category

Family Relation	Non-capitalist Sector									
	Manual Occupations					Non-manual Occupations				
	Wage Earner	Family Worker	Self-Employed	Employer	Total	Wage Earner	Family Worker	Self-Employed	Employer	Total
Householder	28.3	-	52.3	58.3	42.7	15.4	-	78.9	66.7	51.2
Other	71.7	100.0	47.7	41.7	57.3	84.6	100.0	21.1	33.3	48.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Family Relation	Capitalist Sector									
	Manual Occupations					Non-manual Occupations				
	Wage Earner	Family Worker	Self-Employed	Employer	Total	Wage Earner	Family Worker	Self-Employed	Employer	Total
Householder	42.7	-	69.6	74.3	44.8	38.5	-	60.0	82.0	41.7
Other	57.3	100.0	30.4	25.7	55.2	61.5	100.0	40.0	18.0	58.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Not representative

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

householders among the self-employed and employers is noticeable, the proportion of them among the wage-earners being very small. In contrast, among the workers who are non-householders in that sector, a relatively lower proportion of self-employed and employers can be observed, especially in the case of non-manual workers. This, in turn, contrasts with the high participation that non-householders have among the wage-earners and non-paid family workers. In the capitalist sector the overall picture is quite similar, although it might be noted that householders have a relatively higher participation among both wage-earners and employers. The income and work-hours situation of householders and non-householders is summarized in Table 33 overleaf.

The differential between the average income per hour of the householders of both sectors is 91.6 per cent, whereas this is only 34.2 per cent among the non-householders. However, on average, the householders of the non-capitalist sector earn more per hour than the non-householders of the capitalist sector: 24 per cent differential. This differential increases to 43.8 per cent in terms of monthly income, due to the longer hours worked by the non-capitalist workers, i.e. 54.1 hours compared to 45.6 hours. Although among householders the income per hour of the manual self-employed of the non-capitalist sector is lower than that obtained by the manual wage-earners of the capitalist sector, the contrary occurs in the case of non-householders; the differential being 6.9 per cent. In terms of monthly income, however, the manual wage-earners of the capitalist sector earn 8.7 per cent more than the manual self-employed of the non-capitalist sector, due to the larger number of hours they work per week (6.7 hours). On the whole, however, what should be stressed is the low average wage rate paid by the capitalist sector to manual wage-earners who are non-householders: 1.28 times the minimum

Table 33: Monthly Income, Week-hours and Income per Hour of the Workers of the Capitalist and Non-Capitalist Sector of Colombia's Four Largest Cities by Occupational Category and Family Relationship

(pesos 1977)

Occupational Status	FAMILY RELATIONSHIP											
	HOUSEHOLDER						NON-HOUSEHOLDER					
	Non-capitalist			Capitalist			Non-capitalist			Capitalist		
	y	h/week	y/h	y	h/week	y/h	y	h/week	y/h	y	h/week	y/h
Non-manual wage-earner	6.350	72.0	20.5	11.646	43.7	62.0	2.827	39.7	16.6	4.925	41.3	27.7
Manual wage-earner	4.522	52.8	19.9	5.331	51.7	24.0	1.800	48.6	8.6	2.749	48.8	13.1
Non-manual self-employed	6.600	45.3	33.9	21.291	37.5	132.0	4.371	27.0	37.6	3.027	32.8	21.5
Manual self-employed	4.617	53.1	20.2	5.894	49.0	28.0	2.528	42.1	14.0	3.343	41.6	18.7
Non-manual employer	19.625	44.5	102.6	27.516	47.7	134.1	4.100	32.5	29.3	8.328	46.9	41.3
Manual employer	8.443	61.7	31.8	17.173	54.9	72.7	5.426	48.5	26.0	10.944	50.0	50.9
TOTAL	5.539	54.1	23.8	9.611	49.0	45.6	2.737	43.7	14.6	3.853	45.6	19.6

Abbreviations: y=average monthly income; h/week=average week-hours; y/h=average income per hour.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty.

wage. Composed mainly of female and young labourers, in October 1977 this group of workers accounted for 57.3 per cent of the total manual wage-earners employed by the capitalist sector in the four major cities of Colombia.

(vi) Secondary Activity

In Chapter III 'work activity' was defined as the link between the specific tasks of a job and the establishment in which they are performed. Thus, for instance, a worker may have the same occupation in all his work activities (i.e. medical doctor), but if he performs his work in different establishments - his occupational status might or might not change, - he is defined as a worker with secondary jobs. The main work activity was defined as the one in which the labourer works the longest hours, irrespective of his earnings.

It must be emphasized that the main interest in this study regarding the secondary jobs of the workers is to identify the worker who has more than one job, rather than to examine the particular characteristics of secondary activities. [32] One might be tempted to assume that it is the workers with the lower incomes who tend to have more than one job, in order to increase their income. However, the evidence disproved that hypothesis largely because very low incomes in the main work activity are usually associated with very long hours of work, long trips to and from work, and a heavy load of domestic work within the household. [33] Under these conditions, the workers with low levels of earnings have enormous difficulties in engaging in additional jobs as a means of supplementing their insufficient incomes, although they might work overtime in order to do so. [34]

Surprisingly, of the total workers in Colombia's four largest cities only 8.3 per cent have more than one job and, of these, only

60 per cent have two jobs all the year round.[35] Over 80 per cent of the workers who have more than one job are men and the majority of them are in the middle layers of the distribution of incomes according to the incomes obtained in their main job. Only 15 per cent of them earn less than the minimum wage in their main work activity and 33 per cent of them earn under twice the minimum wage, whereas for the entire working population these percentages are 26.6 per cent and 60.3 per cent respectively. The average monthly income obtained in the main work activity by those workers who have more than one job is 8,405 pesos, while the average income of those with one job is 5,528 pesos. The corresponding average working week being 43.4 hours and 47.6 hours respectively.

In general, the occupational status in the secondary work activity tends to be the same as that in the main work activity, or that of self-employed. In effect, 41.3 per cent of those workers who are wage-earners and half of those who are non-paid family workers or employers in their main work activity, are self-employed in their second job. In relation to the extra hours worked per week and income obtained in the secondary work activity, it was found that, on average, the increase in income is more than proportional than the increase in work-hours. This means that the work-effort per peso earned in secondary activities, is lower than that in the main work activity. The evidence suggests that workers engage in secondary activities which are better paid than their main job on an hourly basis, although the monthly earnings may be lower due to the shorter hours devoted to it.

If the workers are further categorized according to the capitalist and non-capitalist nature of their main work activity it is found that only 22.9 per cent of the workers having secondary

activities have their main job in the non-capitalist sector, while 77.1 per cent work in the capitalist sector. The distinctive occupational characteristics of the main work activity for each group of workers can be observed in Table 34 overleaf.

Among the non-capitalist workers, only 5.8 per cent have secondary jobs and of those 73.2 per cent are manual workers in their main job. Most of those workers work in a 'home' engaged in production or services in their main work activity. There is, however, a strong contrast between manual and non-manual workers. While only 4.6 per cent of the manual workers have secondary jobs (especially employers), more than one fifth of the non-manual workers have secondary jobs. This proportion is especially high among non-manual employers: 33.3 per cent.

Among the workers of the capitalist sector, 9.5 per cent have secondary activities and of those 53 per cent are non-manual workers in their main work activity. The main proportion of workers with secondary work activities is to be found amongst service workers and those located in a 'fixed place'. Although 85 per cent of all the workers with secondary jobs are wage-earners in their main work activity, the proportion of self-employed and employers with more than one job is higher.

As can be observed in Table 35, the average wage rate differential in their main work activity between those who have more than one job and those who have only one is 42 per cent in the case of the workers of the non-capitalist sector and 64 per cent in the case of the workers of the capitalist sector. In terms of monthly incomes these differentials are 31.8 per cent and 49 per cent respectively. It is worth pointing out that among the manual wage-earners of the capitalist sector, those who have secondary work activities earn,

Table 34: Distribution of the Workers of Colombia's Four Largest Cities by Secondary Activities and by Sector of Economic Activity, Place of Work and Occupational Category: Non-capitalist and Capitalist Sector (percentages)

A. Sector of Economic Activity

	Non-capitalist Sector				Capitalist Sector			
Secondary Jobs	Production	Commerce	Services	Total	Production	Commerce	Services	Total
Yes	8.6	2.4	7.5	5.8	8.6	6.3	12.3	9.5
No	91.4	97.6	92.5	94.2	91.4	93.7	87.7	90.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

B. Place of Work

	Non-capitalist Sector				Capitalist Sector			
Secondary Jobs	Fixed Place	Home	Street	Total	Fixed Place	Home *	Street	Total
Yes	5.4	6.5	4.7	5.8	9.6	5.6	9.2	9.5
No	94.6	93.5	95.3	94.2	90.4	94.4	90.8	90.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

C. Occupational Category

	Non-capitalist Sector									
	Manual Occupations					Non-manual Occupations				
Secondary Jobs	Wage Earner	Family Worker	Self-Employed	Employer	Total	Wage Earner	Family Worker	Self-Employed	Employer	Total
Yes	4.2	2.7	4.3	8.3	4.6	23.1	-	21.4	33.3	22.0
No	95.8	97.3	95.7	91.7	95.4	76.9	100.0	78.6	66.7	78.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

	Capitalist Sector									
	Manual Occupations					Non-manual Occupations				
Secondary Jobs	Wage Earner	Family Worker	Self-Employed	Employer	Total	Wage Earner	Family Worker	Self-Employed	Employer	Total
Yes	7.1	4.3	13.0	8.6	7.3	12.3	-	20.0	17.9	12.8
No	92.9	95.7	87.0	91.4	92.7	87.7	100.0	80.0	82.1	87.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Not representative

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

on average, 50 per cent more than those who have only one job. Furthermore, there is virtually no difference between the wage-rate and monthly income obtained by the manual wage-earners of the capitalist and non-capitalist sector with secondary work activities. However, if only workers with one job are considered, it can be observed that the manual self-employed engaged in non-capitalist activity earn 5.1 per cent more per hour than the manual wage-earners of the capitalist sector, although the latter earn 6.3 per cent more per month due to the longer hours they work per week (5.4 hours).

An important point that emerges from this discussion is that involvement in secondary work activity in Colombia follows a definite pattern. As we saw, in both sectors of the urban economy, the workers who have secondary jobs are workers who earn a much higher income than the average and have a shorter working week, whereas the workers with lower average incomes and long hours can only resort to working overtime in their main work activity as a means of increasing their income. Under these circumstances, the role of other working members of the family unit in supplementing insufficient incomes can be very important, as we shall see in Chapter V.

Thus, contrary to what dualist analysts believe, the foregoing analysis on wage differences showed that the capitalist/non-capitalist sector distinction does not explain the wide and persistent gap between certain income groups in Colombia's four largest cities. On the one hand, we established that these differences can be better explained by means of what Cairnes called 'non-competing groups': within each of which there is a tendency towards wage equalization, but between which there is very little mobility, leading to an

Table 35: Monthly Income, Week-hours and Income per Hour of the Workers of the Capitalist and Non-Capitalist Sector of Colombia's Four Largest Cities by Occupational Category and Secondary Activities

(pesos 1977)

Occupational Status	SECONDARY ACTIVITIES											
	YES						NO					
	Non-capitalist			Capitalist			Non-capitalist			Capitalist		
	y	h/week	y/h	y	h/week	y/h	y	h/week	y/h	y	h/week	y/h
Non-manual wage-earner	3.733	43.0	20.2	11.157	39.8	65.2	3.260	46.2	16.4	7.009	42.6	38.3
Manual wage-earner	5.220	45.8	26.5	5.292	46.1	26.7	2.460	50.0	11.4	3.837	50.4	17.7
Non-manual self-employed	6.583	29.3	52.2	14.767	37.7	91.1	6.214	38.0	38.0	12.883	36.1	83.0
Manual self-employed	3.837	44.2	20.2	4.833	60.7	18.5	3.608	45.0	18.6	5.160	44.6	26.9
Non-manual employer	2.700	36.5	17.2	17.786	42.0	98.5	20.325	40.0	118.2	29.384	50.2	136.1
Manual employer	8.214	56.3	33.9	16.833	48.2	81.2	6.057	56.1	25.1	15.531	54.2	66.6
TOTAL	5.156	43.8	27.4	9.330	43.2	50.2	3.912	47.1	19.3	6.263	47.6	30.6

Abbreviations: y=average monthly income; h/week=average week-hours; y/h=average income per hour.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty.

uneven distribution of incomes and advantages. Higher incomes are not only an advantage in themselves, but are usually accompanied by other advantages such as very little or no physical danger, security of employment, high social prestige and others.

On the other hand, we found that the average wage-rate paid to the manual wage-earners in the capitalist sector does not significantly exceed the average supply price of labour. The supply price of labour is given by the average earnings that individuals engaged in non-capitalist activity, in particular the manual self-employed, are able to obtain. Thus, this finding is in agreement with our hypothesis concerning the relationship that exists between non-capitalist activity and both the urban labour market and wage-determination: the working population engaged in non-capitalist activity compete in the labour market keeping wages low.

For instance, it was found that when the average wage-rate paid to the manual wage-earners in the capitalist sector (54 per cent of the workers in that sector) was compared with the average income per hour obtained by the manual self-employed engaged in non-capitalist activity (60 per cent of the workers in that sector) only a 4 per cent differential existed. This differential increased to 13 per cent when the manual wage-earners of the non-capitalist sector were included in the comparison (79 per cent of the workers in that sector).

Furthermore, the wage-rate differential between the manual wage-earners of the capitalist sector and the manual self-employed engaged in non-capitalist activity disappeared among both women and men taken separately, workers with some primary or secondary education, younger workers (less than 35 years), recent and non-migrants, secondary workers and the workers who only have one job.

Nevertheless, the fact that most workers engaged in non-capitalist activity work, on average, a shorter number of hours per week reflects itself in a slightly lower monthly income than that obtained by the workers of the capitalist sector, particularly in the case of women, younger workers and secondary workers. However, it must be noted that the non-capitalist sector provides some advantages such as flexible working hours and working time and, especially for women, the advantage of working at home, which the capitalist sector cannot offer to its wage-earners. The fact that 83 per cent of the women engaged in non-capitalist activity work at home seems to confirm this point.

As regards the absolute level of earnings, the analysis of incomes and work-hours carried out in this Chapter raised several interesting points which contribute towards a better understanding of the employment situation in the four largest cities of Colombia. Surprisingly enough, it was found that the average wage level of the manual wage-earners of the capitalist sector (54 per cent of the workers in that sector) was, in October 1977, 1.79 times the minimum wage, while the average earnings per hour of the manual self-employed engaged in non-capitalist activity (60 per cent of the workers in that sector) was 1.72 times the minimum wage. Thus, 55.8 per cent of the working population in Colombia's four largest cities earned, on average, 1.77 times the minimum wage. This is a point worth pursuing a little further and Table 36 is used to provide statistical clarification. (See Table 36 overleaf).

As this Table shows, in October 1977, almost 50 per cent of the workers in Colombia's four largest cities earned less than 1.4 times the minimum wage and 38.3 per cent earned less than 1.1 times the minimum wage, while 27.5 per cent earned less than the minimum wage.

Table 36: Distribution of Monthly Earnings in the Main Work Activity of the Workers in Colombia's Four Largest Cities: Bogotá, Cali, Medellín and Barranquilla, October 1977

Monthly Income (Col. pesos)	Times the Minimum Wage	Workers (%)	Accumulated Percentage
Less than 2,000	Less than 0.9	27.5	27.5
2,000 - 2,400	0.9 to 1.1	10.8	38.3
2,400 - 3,000	1.1 to 1.4	11.4	49.7
3,000 - 4,000	1.4 to 1.9	13.0	62.7
4,000 - 5,000	1.9 to 2.4	8.8	71.5
5.000 - 7,000	2.4 to 3.3	9.4	80.9
7,000 - 8,500	3.3 to 4.0	3.6	84.5
8,500 - 10,000	4.0 to 4.8	3.8	88.3
More than 10,000	More than 4.8	11.7	100.0

Source: U. Ayala and N. Marulanda, Empleo y Pobreza, Vol. I, Table 5-1, CEDE, Bogotá, 1979.

However, an important corollary of our discussion on wages is that low earnings are not an exclusive phenomenon of the non-capitalist sector as the literature on productive heterogeneity over the past two decades or so has claimed. Moreover, the evidence on wages presented in this Chapter is conclusive in showing that the level of wages for unskilled and semi-skilled labour is not significantly different from its supply price. It can therefore be concluded that in Colombia, where the supply of that type of labour is relatively plentiful, the labour market is fairly competitive and that the so-called non-competitive factors (i.e. minimum wage, trade unions, etc.) are quite ineffective in keeping the level of wages above the supply price.

Let us conclude this Chapter with a word on the ineffectiveness of the legal minimum wage and the power of trade unions as counteracting forces of competition in the Colombian case.

Minimum Wage

The minimum wage was introduced in Colombia in 1950. It is fixed by government legislation and only applies to wage-labour. The main idea behind fixing a national minimum wage is to prevent the worst cases of exploitation. This does not mean, however, that the minimum wage will necessary coincide with that required from the point of view of a minimum standard of living. As we shall see in Chapter V, in 1977, 2.96 minimum wages were required to buy the consumption basket of an average working class family. In Colombia, the increase in the cost of living is the main criterion used for adjusting the minimumwage over time.

As a study of the Department of National Planning (DNP) has pointed out, however, the increases in the minimum wage are not systematic. For instance, the minimum wage fixed in 1963 was not altered until July 1969. By 1967, the acquisitive power of the minimum wage was lower than that of 1950 and, by 1970, the acquisitive power of the minimum wage had dropped below that of 1960. During the 1970s, a period of high inflation, the minimum wage was readjusted several times, but, in real terms, did not overcome the level attained by it in the early 1960s. [36] The main conclusion derived from this study of the DNP is that although the minimum wage could be used as a policy instrument for bettering the standards of living of those who receive it, it cannot be used as a redistributive instrument for the wage-earners in general. The reason for this is three-fold.

In the first place, there are the short term effects that an increase in the minimum wage has on the rate of growth of employment in the various sectors of the economy. A study by Tobón showed that as soon as talks of increasing the minimum wage commence, the

rate of growth of employment begins to slacken. In fact, he found that the average rate of growth of employment decreases in most sectors of economic activity within less than a month after the minimum wage has been increased. [37] Armenta, in another study, found that for each increase of 100 pesos in the minimum wage, the average level of employment decreased by 1.44 per cent during the period January 1972 - May 1975. [38]

In the second place, as another study of the DNP found, the coverage of the minimum wage is very poor: for each wage-earner that earns the minimum wage in the four main cities of Colombia, there are 1.51 wage-earners who earn less. [39] Furthermore, as this study also found, the proportion of employers that evade this legal requirement increases as the minimum wage increases. The existence of a large supply of labour in Colombia's urban areas is perhaps the main explanatory factor of the positive correlation that exists through time between the minimum wage and the level of evasion.

Finally, the minimum wage remains largely ineffective in modifying the wage-rate of those workers who earn more than the minimum wage. Tobón found that a slightly upward impact on the general wage level can be noticed, but only between 8 and 20 months after the minimum wage has been increased. [40] This is, however, explained to a large extent by the fact that collective bargaining in Colombia takes place every two years.

Thus, the irregularity with which the minimum wage is adjusted, the negative effects that an increase in the minimum wage has on the level of employment, the high rate of evasion and the fact that increases in the minimum wage do not significantly help to diminish the dispersion of wages, are factors which work against the

effectiveness of the minimum wage in Colombia as a mechanism for pushing wages up. On the contrary, it could be argued that the irregularity with which the minimum wage is adjusted can be a very effective mechanism to reduce wages in real terms.

Trade Unions

Trade unionism, on the other hand, can be a powerful factor in counteracting the downward pressure that the excess of labour supply and the degree of monopoly have on money wages. In Colombia, however, trade unions are very weak and their actions are restricted by the State's direct or indirect sanctioning of repression.

According to data collected by Tenjo, in 1973, 16.8 per cent of the total working population was unionized and, if agriculture is excluded, this proportion rises to 23.4 per cent. The degree of unionization, however, is not the same in the different sectors of economic activity. Agriculture, construction and commerce, which accounted for 62 per cent of the total working population in the country, had less than 8 per cent of their labour force unionized. Manufacturing industry, public utilities, financial services, and transport and communications had between 40 and 50 per cent of their labour force unionized, but only accounted for 20 per cent of the total working population. The service sector, which accounted for 18 per cent of the working population, had only 15 per cent of its labour force unionized. [41] It should be pointed out, however, that in another study Tenjo found that the rate of unionization in Bogotá tends to be higher among skilled workers than among unskilled workers, the supply of which is plentiful. [42]

Furthermore, there are enormous institutional limitations to the effectiveness of trade unions in affecting wages. Tenjo examines five of them in some detail. [43] These can be summarized as follows.

Firstly, the excessive duration of the stages that have to be completed before a strike can start (3 to 4 months) allows the employer to reduce the potential costs of the strike to a minimum, diminishing the threatening power of industrial action. Secondly, the status of public service attached to several sectors, i.e. transport and communications, public utilities, civil service, financial services and other strategic sectors such as oil and steel, eliminates the right to strike under any circumstances. This means that if industrial action is taken in any of these sectors of the economy, the strike is not protected by the law, the union can be suspended or dissolved, and the employer has the right to sack any worker who participated in the strike. Thirdly, the government has the power to put an end to a strike when it considers that it is in the national interest to do so (Law 48 of 1968) and, in any case, a strike cannot last more than 40 days (Decree 939 of 1966, Art.2.) Fourthly, given that employers associations do not exist by economic sector, sector unions are not recognized; negotiations must take place with each employer separately. Fifthly, the internal division of the labour movement which is reflected in the existence of several confederations, lessens the power of trade unionism in Colombia. [44]

Nevertheless, some recognition must be made of the fact that in some sectors, particularly in the strategic sectors of the economy, unions have some power to affect wages. Tenjo, for instance, argues that in Bogotá the average level of wages paid in the industrial sector by firms where unions exist is 15 per cent higher than that paid by firms where no unions exist; in the case of Medellín this differential is almost 20 per cent. [45] However, Tenjo's results must be interpreted with caution for two reasons. Firstly, because he assumed that all the workers in the firms where a trade union

exists were affiliated to the trade union, an assumption which leads him to over-estimate the effects of trade unionism on wages. Secondly, because, in Colombia, firms with trade unions tend to be, on average, of a larger size than those without trade unions due to legislation on the formation of trade unions stating that the labour force in firms of less than 25 workers cannot be unionized. Thus, differences in productivity and in the proportion of highly specialized staff among firms of different sizes might be responsible for part of the inter-firm differentials found by Tenjo.

On the other hand, although the bargaining strength of labour in Colombia might not be able to increase significantly the total earnings of labour, it can modify to its own advantage the terms of its exchange of effort against earnings by bettering work conditions, shortening work hours, improving job security, and, above all, by increasing fringe benefits. In fact, the main impact of trade unions in Colombia has been in this field, especially within the industrial sector.[46]

The scattered evidence that exists on Colombian trade unionism, however, does not support the dualist hypothesis that sees trade unions as a powerful counteracting force of competition in the labour market. The Colombian trade union movement is certainly not in a position of strength to improve significantly the standard of living of the working class - in fact, it can hardly defend that of the unionized labour force. This is not only because enormous institutional limitations concerning both the formation and actions of trade unions exist, but also because it cannot prevent the non-unionized labour force from competing in the labour market for the same jobs.

In short, the analysis on earnings carried out in this Chapter not only showed that in the Colombian case the legal minimum wage

and the power of trade unions are ineffective as conteracting forces of competition, but also that the capitalist/non-capitalist sector distinction contributes very little, if anything, to the explanation of the wide earnings differentials that prevail among the workers in the four main cities of Colombia. In fact, a major finding of the above analysis is that the existing earnings differentials are better explained by the form in which the workers confront the means of production and by their position within the class structure of Colombian society, as expressed by the notion of 'non-competing groups' introduced by Cairnes.

At a more general level, the analysis of the present Chapter also showed that a close relationship exists between non-capitalist activity and both the functioning of the labour market and the maintenance of a low level of wages. This relationship, which can be best understood in the light of the concept of reserve army devised by Marx, [47] is particularly important in the context of developing economies, where the maintenance of an absolute low level of wages and, particularly in times of slow growth, the reduction of real wages constitute important mechanisms for securing the expected mass of surplus-value, or profit, for capital. This is mainly because, in a non-advanced capitalist economy such as Colombia, the scope for increases in labour productivity due to technological change are moderate compared to that of developed countries, mainly because of the limitations imposed by the size of the market which, in turn, restricts the scale of production. This situation is aggravated by the fact that the production of new products is mainly orientated towards luxury consumer goods which are rarely incorporated into the category of wage-goods. Thus, unless productivity increases rapidly, an increase in wages will not only imply a decrease in the rate of profit but, most probably, also a decrease in the mass of the

appropriated surplus-value.

The way in which capital solves this dilemma is reflected in the absolute low level of wages of the majority of the working population in Colombia's four largest cities which, in turn, reflects itself in the extremely low standard of living of the majority of the population. Whether reduction in real wages leaves the rate of accumulation unaltered, or whether it leads to a higher level of accumulation, depends on the way in which the surplus-product is divided between the unproductively consumed portion and the accumulated part, given a certain set of economic, institutional and political constraints.

One could argue, however, that in the long run, this strategy of accumulation could be counteracted by a decline in the working capacity of the labour force due to the long-standing effects that a poor standard of living can inflict upon it. As we shall see in the next Chapter, this might not necessarily be the case, since the existence of non-capitalist activity, as an alternative form of livelihood to that of wage-employment,permits the enlargement of the maintenance and reproduction fund of the working class; thus avoiding to a large extent the damaging effects that the reduction of wages can have on the labourers' future working capacity. In other words, we are arguing that the lowering of unit wage rates proceeds pari passu along with the attempts of working class families to restore subsistence standards by engaging in non-capitalist activities. Thus, in so far as the existence of this supplementary source of maintenance further extends the possibilities for the expansion of capital at the expense of wages, despite the fact that the wage level of the majority of the working class is already almost below the minimum required to secure the maintenance and reproduction of the labour force without damage to its work efficiency, the non-capitalist

sector of the Colombian urban economy must be seen as playing an important role in the ongoing process of capital accumulation.

NOTES. Chapter IV

1. There is a fine distinction between the problem of 'unlimited possibilities in the area of labour supply' and the existence of an 'excess of labour supply in actual fact', which is worth emphasizing. The first one refers to an over-population in agriculture, which in theory results in an unlimited labour supply, although in reality it is not competing in the labour market. In order for this theoretically unlimited labour supply to become an actual supply of labour, the disintegration of the traditional peasant community has to be well-advanced. Thus, when an unlimited labour supply exists in actual fact, and not just in theory, as in the urban economy of Colombia, wages go down - even if it is true that they remain higher than the average income on small agricultural enterprises. On this see W. Kula, An Economic Theory of the Feudal System; Towards a Model of the Polish Economy: 1500-1800, NLB, London, 1976, pp. 20-23. Dualist analyses on urban development do not seem to take into consideration this distinction when they borrow one of the basic assumptions of Lewis's model, i.e. that the excess of labour supply exists together with institutional factors that serve to maintain wages in the capitalist sector above the level determined by the supply.

2. J.E. Cairnes, Some Leading Principles of Political Economy, Macmillan & Co., London, 1874, pp. 70-73.

3. Although this condition is no longer applicable to most developed countries, it holds in the majority of Third World countries and, certainly, in the case of Colombia. As Kugler argues, "the generation entering the labour force shows significant variance in educational level, based substantially on differences in the socio-economic status of the families of the individuals. Even though there may have been some inter-generational improvement in the relative distribution of education along with the increase in average educational level, the absolute differences have not only persisted but have increased. Accordingly, one cannot say on the basis of this evidence (DANE's Encuesta Nacional de Hogares-Etapa 5, 1971) that education has been an important means of social mobility in the Colombian urban sector, and even less so in the country as a whole." Bernardo Kugler, "The Influence of Education on Labour Incomes: The Colombian Case" in Albert Berry and Ronald Soligo (Eds.) Economic Policy and Income Distribution in Colombia, Westview Press, Colorado, 1980, p.143. Moreover, in the Colombian case Urrutia and Sandoval concluded that "probably the most efficient policy instrument that can be used to counterbalance the effects of family environment and inherited wealth on the income distribution is that of free public education". M. Urrutia and C.E. Sandoval, Distribución de la Educación y Distribución del Ingreso, Centro de Investigaciones para el Desarrollo (CID), National University, Bogotá, 1971, Mimeo.

4. B. Kugler found that in Colombia the attitude of parents towards education is correlated to factors such as their social position, their educational level, their occupatinnal status, their geographic origin (urban, rural) as well as their level of income. See B. Kugler, "The Influence of Education on Labour Incomes: The Colombian Case" in A. Berry and R. Soligo (Eds.), op.cit., 1980. pp. 133-46.

5. It is not unusual to find that children of unskilled labourers are forced, after two or three years of school, to take any job in order to help support their families. "In 1964, only 3 per cent of rural primary school entrants completed the five-grade course as compared with 46 per cent of the urban children. However, it is unlikely that the educational opportunities available to the lower income groups in the urban areas have significantly increased since 1964", World Bank, Economic Growth of Colombia: Problems and Prospects, The Johns Hopkins University Press, Baltimore, 1972. p. 408.

6. Several studies on occupatinnal mobility stress the barrier that exists between manual and non-manual occupations. Among others see: Dagmar Raczynski, "Tasas y Pautas de Movilidad Ocupacional en El Gran Santiago" in Cuadernos de Economía, 10 (29), January, 1973, pp. 66-95 and "Estratificación Social y Oportunidades Ocupacionales: Algunos Antecedentes sobre Chile" in Seminario de CLACSO, El Empleo en América Latina, Siglo XXI, Mexico, 1976, pp. 87-117; B. Hutchinson, "Urban Social Mobility Rates in Brazil related to Migration and Changing Occupational Structure" in América Latina, 6 (3), July-September 1963, pp. 47-62.

7. As regards the labour market, the 'competitive hypothesis' of neo-classical theory implies that, in the long run, labour mobility plays a critical role both in preserving the forces of labour market competition and in reproducing the conditions of competitive labour markets. In a word, it is assumed that in the long run 'equality of opportunity' exists among individuals. As Gordon argues this is because "orthodox analysis seems to assume, first of all, that class stratification tends not to survive inter-generationally, principally because individuals are able to make schooling investment and decisions quite rationally and competitively. Once individuals enter the labour market, moreover, orthodox economists place heavy reliance on the possibilities for individual investment in human capital (outside the school) and on labour mobility within or among sectors as market equilibrating mechanisms". See David M. Gordon, Theories of Poverty and Underemployment: Orthodox, Radical and Dual Labour Market Perspectives, Lexington Books, Lexington, Massachusetts, 1972, p. 112 (the emphasis has been added).

8. By definition a non-paid family worker is someone who works regularly but who does not receive any monetary payment in return.

9. The minimum wage in October 1977 was 2,100 pesos per month or 70 pesos per day. If the legal work-week of 48 hours is assumed, the resulting income per hour amounts to 10 pesos and 20 cents (approximately 10 pence per hour).

10. As regards sex, age and education these results are very similar to those found in several Latin American cities by PREALC. A summary of the results for San Salvador, Asunción, Santo Domingo and Guayaquil can be found in Victor E. Tokman, "Dinámica del Mercado de Trabajo Urbano" in R. Katzman and J.L. Reyna (Eds.), Fuerza de Trabajo y Movimientos Laborales en América Latina, El Colegio de México, Mexico, 1979, pp. 88-94.

11. A similar result about the heterogeneous integration of migrants within the economy was found in the case of Mexico by H. Muñoz and O. Oliveira, "Migración Interna y Movilidad Ocupacional en la Ciudad de México" in CLACSO, Migración y Desarrollo, 2, Buenos Aires, 1973. However, there are several studies which argue that migrants are located mainly in the informal sector. Among others see: E. Jelin, "Cambios Ocupacionales en Monterrey: Ciclo Vital y Cohortes" in J. Balan, H.L. Browning and E. Jelin, Migración, Estructura Ocupacional y Movilidad Social: El Caso de Monterrey, Universidad Autónoma de México, Mexico, 1973; E. Contreras, "Movilidad Individual y Oportunidades de Empleo en la Ciudad de México" in CLACSO, op.cit., pp. 118-151; D. Raczynski, "Estratificación social...." in CLACSO, op.cit., pp. 87-117.

12. The studies sponsored by PREALC in San Salvador, Santo Domingo, Asunción and Guayaquil show similar results to ours: the informal sector does not contain a larger proportion of secondary workers than the economy as a whole. In the case of San Salvador, for instance, it was found that, while in the economy as a whole the householders only represented 41 per cent of the workers, in the informal sector they represented 47 per cent. See V. Tokman, "Dinámica....", op.cit., p. 92.

13. In reality the participation of women is higher. It must be remembered that resident domestic servants were excluded from the calculations. They represent 8.5 per cent of the working population in Colombia's four largest cities and almost all of them are women. Their inclusion would have raised the participation of women in the working labour force to approximately 39 per cent.

14. In relation to this point, it is interesting to note that the relative higher participation of women in commerce and services (mainly communal, social and personal services) is conditioned by the organization of society in general. The type of work performed in commerce and services is, in many cases, an extension of the household work which is usually performed by women, i.e. teaching of small children, cooking, sewing, and so on. Thus, when this type of work is performed in a social form, and not only privately, women tend to have a higher participation rate than men because they have developed the ability to do these jobs. This is so because of cultural and social conditioning for generations and not because of the natural condition of women. On this see: Jane Humphries, "Class Struggle and the Resistance of the Working Class Family", Cambridge Journal of Economics, Vol. I, 1977, pp. 241-258.

15. The pay difference between the sexes found in Colombia's four largest cities is by no means exceptional. Lydall's analysis of the effects that differences in sex have on the shape of the distribution of income led him to conclude that "it seems to be almost a universal law that, on average, women receive only between half and two-thirds of the pay of men". H. Lydall, The Structure of Earnings, Oxford University Press, London, 1968.

16. Two important factors in the explanation of pay differences between men and women are: (i) the traditional relegation of women to the lowest paid jobs and (ii) the payment of lower wages to women than men holding the same equivalent job. Among studies which support this view see, for instance, M. Goldberg, "The Economic Exploitation of Women", Review of Radical Political Economics, Vol. II, Spring, 1970; E. Ginzberg, "Paycheck and Apron - Revolution in Women Power", Industrial Relations, Vol. VII, May 1968, pp. 193-203; G. McNally, "Patterns of Female Labour Activity", Industrial Relations, Vol. VII, May 1968, pp. 204-18; and V. Oppenheimer, "The Sex-Labelling of Jobs", Industrial Relations, Vol. VII, May 1968, pp. 219-34. In the Colombian case, this view is supported by A. Berry and M. Urrutia, Income Distribution in Colombia, Yale University Press, 1976, pp. 181-3.

17. It should be noted, however, that among the functions of the existing unions of self-employed workers there is the provision to their members of equivalent benefits as those offered by wage employment as well as legal aid in the dealings with the authorities. In fact, some of those unions have already affiliated their members to the national health service, while others provide medical services as well as educational facilities for their members. For some evidence on the organization of non-capitalist sector workers in Colombia, see, Lisa Peattie, "Organización de los Marginales" in R. Katzman and J.J. Reyna (Eds.), Fuerza de Trabajo y Movimientos Laborales en América Latina, El Colegio de México, Mexico, 1979, pp. 103-36.

18. Berry, for instance, argues that "construction workers at the low part of the cycle are perhaps the extreme case; they are hired for a given building and may work for only a couple of months before having to move to another job". A. Berry, "Open Unemployment as a Social Problem in Urban Colombia: Myth and Reality", Economic Development and Cultural Change, Vol. 23, 1974/75, pp. 290-1. Although it is not disputed that, in theory, the Colombian Labour Code provisions on security of employment protect the worker against arbitrary dismissal, in practice, there are various ways in which employers can cope with the provisions regarding individual and collective dismissals. One is to recruit workers on written contracts, which the law permits to be limited to one year, instead of on contracts of indeterminate duration. (There is a 60-day probationary period). A second method which is widely used consists of inducing workers to resign voluntarily by offering them a substantial portion of the indemnities to which they would have been entitled if they had been dismissed "without cause". (The indemnity begins at 45 days' pay for a worker employed less than a year and goes up by 15 days each year until the end of the fifth year). Thirdly, and most important in the present context, employers may engage workers, not as employees, but on contract, either directly or through agencies or other individuals, which, in effect, removes all protection from the Labour Code. For a summary of the regulations regarding security of employment and dismissals, see ILO, Towards Full Employment: A Programme for Colombia, Geneva, 1970, Appendix 8, pp. 412-15.

19. Indeed the inadequacy of the funds available for education in Colombia is reflected in a very low rate of retention as well as in high rates of desertion in primary schooling. According to DANE's figures, only 44.8 per cent of those who started primary school in 1972 were in primary-five in 1976. On the other hand, the rates of desertion during 1976 for each of the levels of primary was as follows: 16.9 per cent in primary 1; 12.5 per cent in primary 2; 10.8 per cent in primary 3; 9.7 per cent in primary 4; and 8.5 per cent in primary 5. See, DANE, División de Estudios Sociales, "Promoción en Educación Primaria 1975-1976", Boletín Mensual de Estadística, No. 339, October 1979, pp. 7-59.

20. The estimated age-distribution of the population for 1975 is as follows: 78.3 per cent under 35 years of age, 12.4 per cent between 35 and 50 years of age and 9.3 per cent over 50 years of age. See Enrique Pérez, Proyecciones de la Población en Colombia, 1965-1985, CEDE, Universidad de Los Andes, Bogotá, October, 1968.

21. Under the human capital model, the typical pattern of the post-school age-earnings profile over the life cycle shows a steep increase on leaving school, followed by a slower increase until a plateau is reached in the mid-forties, after which point a slow and then a faster descent occurs. However, unlike annual earnings, hourly earnings typically appear to increase until the age of sixty or thereabouts before declining. See G.R. Ghez and G.S. Becker, The Allocation of Time and Goods over the Life Cycle, National Bureau of Economic Research, New York, 1973, Chap. 3.

22. According to the 1964 population census, 71 per cent of the males between 15 and 64 years of age (active population) in Bogotá were migrants. See DANE, Censo Nacional de Población (1964): Resumen General, Bogotá, 1967, Table 14.

23. Mangin mentions this as one of the mistaken beliefs that are widespread among academic circles. See William P. Mangin, "Latin American Squatter Settlements: A Problem and Solution", Latin American Research Review, Vol. 2, No. 3, July-September 1967, pp. 65-98.

24. This hypothesis can be found in almost any study on the informal sector. According to PREALC's studies on Asunción, Quito, Guayaquil and San Salvador the evidence confirms this hypothesis. For instance in Asunción 82 per cent of the recent migrants were engaged in non-capitalist activities; in Santo Domingo, 70 per cent of the migrants that reached the city the year before the survey, were informal sector workers, and in Guayaquil two-thirds of the workers of the informal sector were immigrants. See PREALC, El Problema del Empleo en América Latina: Situación, Perspectivas y Políticas, Santiago, 1976.

25. For an extensive bibliography of studies which agree with this alternative hypothesis see Jorge Balan, "Migrant Native Socio-economic Differences in Latin American Cities: A Structural Analysis", Latin American Research Review, Vol. 4, No. 1, 1969, pp. 3-29. Incidentally, ECLA emphasizes that, by contrast with most Latin American countries, Colombia has had a significant, longstanding medium strata among the rural population, which explains the high social mobility attained by the children of

this group, through education in the cities. See ECLA, El Desarrollo Social de América Latina en la Postguerra, Solar Hachette, 1963.

26. See Alan B. Simmons and Ramiro Cardona, "La Selectividad de la Migración en una Perspectiva en el Tiempo: El Caso de Bogotá (Colombia) 1929-1968" in ASCOFAME, (R. Cardona Ed.,) Las Migraciones Internas, Editorial Andes, Bogotá, published in the 1970s (n.d.), pp. 163-177; Segundo Bernal, "Algunos Aspectos Sociológicos de la Migración en Colombia" in ASCOFAME, ibid., pp. 51-101. A similar conclusion was obtained in a case study of Monterrey in Mexico. See Centro de Investigaciones Económicas de la Universidad de Nuevo León (Mexico) and Population Research Center of Texas University, Movilidad Social, Migración y Fecunidad en Monterrey, Monterrey, 1967.

27. Based on the analysis of Census data (1938, 1951 and 1964), Bernal argues that "for each emigrant born in the rural areas there are two in the cabeceras municipales. However, this proportion varies when different regions are considered. In the East regions the number of people who emigrate from the cabeceras are five times bigger than those who emigrate from the rural areas; in the Western and Northern regions of the country this proportion is 2.5 times, while in the Southern regions the number of migrants from cabeceras and rural areas are equivalent ", S. Bernal, op.cit., p.62.

28. On this see S. Bernal, op.cit., pp. 70-85; A.B. Simmon and R. Cardona, op.cit., p. 170; and Ethel Rodríguez-Espada, "La Incorporación de los Migrantes a la Estructura Económica y Social de la Ciudad de Bogotá", in ASCOFAME, op.cit., p. 206 passim.

29. This last point is argued by R. Cardona, "Migración, Urbanización y Marginalidad" in ASCOFAME, Urbanización y Marginalidad, Antares, Tercer Mundo, Bogotá, 1968, pp. 63-87.

30. See "Manuales de Diligenciamiento del Encuestador y Guía de Supervisión: Hogares y Trabajadores", U. Ayala and N. Marulanda, Empleo y Pobreza, Anexo 4, CEDE, Bogotá, July 1978.

31. The relationship between secondary workers and the family-type enterprise will be discussed further in Chapter V, where the role of non-capitalist activity as a complementary source of income for the maintenance and reproduction of the labour force is analyzed.

32. For a general description of the secondary activities of the work force in Colombia's four main cities, see U. Ayala and N. Marulanda, ibid., Vol. I, Chapter IV.

33. For instance, it was found that 46.5 per cent of the workers who belong to the 60 per cent poorer households spent more than one hour and a half travelling to and from work every day, while this proportion was only 27.7 per cent among the workers who belong to the 40 per cent wealthiest households. Similarly, while in only 4.2 per cent of the 60 per cent poorer households more than 20 per cent of the total hours worked by all members of the household were devoted to secondary activities, among the 40 per cent wealthiest households this occurred in 8.2 per cent of households.

34. According to the data collected by CEDE's Survey of Employment and Poverty, 27.7 per cent of the wage-earners in Colombia's four largest cities worked over 48 hours a week during October 1977. The fact that this percentage only drops to 25.8 per cent when only enterprises employing more than 20 workers are considered is very significant, since it shows that long hours of work are not only associated with small enterprises. Moreover, the evidence on work-hours collected through the 1960s and 1970s by both CEDE's and DANE's surveys support the report of the ILO mission to Colombia when it states that "wage and salary earners (in Colombia) work much overtime". See, ILO, Towards Full Employment: A Programme for Colombia, Geneva, 1970, pp. 202-3.

35. 1.3 per cent of the workers have three jobs in the four main cities of Colombia. It is interesting to note that of these, 70 per cent are engaged in non-manual occupations and 50 per cent work in services (mainly professional). See U. Ayala and N. Marulanda, op.cit., Vol. I, Chap. 4, pp. 4-40 to 4-48.

36. Departamento Nacional de Planeación; Unidad de Programación Global and División de Precios y Salarios, "Bases para una Política de Salario Mínimo dentro de los Lineamentos del Plan de Desarrollo", Revista de Planeación y Desarrollo, Vol. VII , No. 2, July/December 1975, pp. 41-74 and pp. 45-46.

37. Santiago Tobón, "Efectos de una Modificación del Salario Mínimo sobre los Salarios de Categorías Superiores y sobre el Nivel de Empleo", Revista de Planeación y Desarrollo, Vol. VII, No. 2, July/December 1975, p. 96.

38. Rodrigo Armenta (DNP), "Salario Mínimo Legal y Desempleo", Empleo y Desempleo, Vol. 2, No. 2, February, 1977, Table 1.

39. Gustavo A. Mattos, "Estimación de la Cobertura del Salario Mínimo y Cumplimiento de la Legislación", Revista de Planeación y Desarrollo, Vol. VII, No. 2, July/December, 1975, p. 106.

40. S. Tobón, op.cit., p. 95. See also J.M. Mesa, La Curva de Phillips en Colombia, Bogotá, ANIF, 1976.

41. Jaime Tenjo, "Algunos Aspectos Cuantitativos del Movimiento Sindical Colombiano", Cuadernos Colombianos, No. 5, First Term 1975, p. 5.

42. J. Tenjo, "Impacto de la Actividad Sindical sobre los Salarios", Revista de Planeación y Desarrollo, Vol. VII, No. 2, July/December, 1975, p. 136.

43. J. Tenjo, ibid., Appendix 1-B, pp. 141-44.

44. In Colombia the four major confederations of trade unions, each related to a different political party are: Confederation of Workers of Colombia (CTC) - 1936, liberal; Union of Workers of Colombia (UTC) - 1946, conservative; Trade Union Confederation of Workers of Colombia (CSTC) - 1964, communist; and General Confederation of Workers (CGT) - 1971, socialist. For a good review of the existing trade unions in Colombia, see Latin America Bureau, Unity is Strength: Trade Unions in Latin America, London, 1980, pp. 80-82.

45. J. Tenjo, "Impacto de la ...", op.cit., p. 131.

46. According to DANE, fringe benefits in the modern manufacturing industry, calculated as a percentage of total remuneration, rose during the sixties from 17.3 per cent in 1960 to 26.6 per cent in 1969. (DANE, Boletín Mensual de Estadística, No. 224, March 1970). They continue to rise during the seventies, though less rapidly, reaching 33.9 per cent in 1977. At this present time, however, it is debated whether the provision of some of these benefits should be 'dismantled' or, at least, 'frozen'. See, Fedesarrollo, Coyuntura Económica, Vol. X, No. 1, April 1980, p. 36.

47. See note 60 in Chapter I.

CHAPTER V

THE ROLE OF URBAN NON-CAPITALIST ACTIVITY IN THE PROCESS OF LABOUR REPRODUCTION

As mentioned in Chapter I, the maintenance and reproduction of labour remains a necessary condition for the reproduction and accumulation of capital. This means that part of the 'social product' has to be assigned for that purpose and given away in the form of wages as 'necessary product'. However, the sum of means of subsistence necessary for the reproduction of labour power must include the means necessary for the worker's replacements, i.e. his children, so that the presence of labour power as a commodity in the market can be perpetuated. The process of labour reproduction, therefore, must be considered for all the rank of workers and their families and cannot be reduced to the reproduction of the individual worker.

Thus, when the reproduction of labour is considered, what matters is the total earnings procured by the household unit over a period of time, e.g. one month. This is because the actual maintenance and reproduction of labour takes place within the worker's household, where all the earnings obtained from present and/or past work, or from whatever other source they may have, are shared among working and non-working members. The amount of income procured by a household, however, is not independent of the level of wages that prevail in the economy. Low wages are associated with both long hours of work and low earnings. At the level of the household unit this pattern seems to prevail: families with low paid workers tend to be associated with lengthy hours of work performed not only by the main bread-winner, but also by supplementary workers of the family unit such as women, children and elderly relatives.

It is likely, therefore, that the correlation between the wage-level and the amount of work performed (the supply of labour) is a negative one in the case of low-paid workers and their families. Thus, a fall in real wages could mean an increase in the supply of labour in the following ways. It may force a large number of women, children and elderly people, who would otherwise be disinclined to work, to seek employment or to become engaged in non-capitalist activity. In addition, the pressure of poverty may force workers into working for long hours as the only means of earning enough to purchase the bare necessities of life for themselves and their families.

This Chapter is concerned with the role of urban non-capitalist activity in the procurement of means of subsistence. We shall argue that, besides supporting the reserve army of labour, the urban non-capitalist sector of the Colombian economy plays a significant role in supplementing the insufficient means of subsistence set aside by capital for the maintenance and reproduction of its labour force. In other words, we are arguing that, in Colombia, the reproduction of the labour force for capital occurs not only in the context of capitalist relations of production, but also in the context of non-capitalist relations of production. This 'mixed' character of the process of labour reproduction, however, suits the process of capital accumulation in two ways. Firstly, it reduces that part of the 'social product' which has to be given away in the form of wages and/or social benefits, i.e. the 'necessary product'. Secondly, it counteracts, to a certain extent, the pervasive effects that very low wages have on the living conditions of the working class as a whole and, consequently, on the quality of labour, i.e. working efficiency. [1]

Up to this point, the unit of analysis in this study has been the worker in the context of the employment structure. In this Chapter, however, the emphasis is shifted from the individual worker to his household. It is important to ask, therefore, what a household is, how it is organized to confront a particular situation of employment and, finally, how the latter affects the income situation of the household. This Chapter is concerned with these questions, focussing on the role played by the non-capitalist sector of the urban economy as a supplementary source of means of subsistence.

In order to assess the significance of the role played by urban non-capitalist activity as a source of means of subsistence for the maintenance and reproduction of labour we must examine not only the proportion of households which are totally or partially supported by earnings procured from non-capitalist activity, but also the relative position that these households achieve, in terms of both incomes and standards of living, vis-à-vis that achieved by the households which are totally supported by earnings obtained from the capitalist sector. With this objective in mind, the households were classified according to the capitalist or non-capitalist nature of the work activities that yield the incomes for their support. In terms of this criterion, three basic types of households can be identified: (i) households which obtain the totality of their labour incomes from the capitalist sector; (ii) households which obtain the totality of their labour incomes from non-capitalist activities; and (iii) households in which part of their labour incomes are obtained from the capitalist sector, while the rest is procured from non-capitalist activity.

It is worthwhile, however, to start our analysis with a detailed examination of the main socio-economic features of Colombia's

four largest cities' households in general. This will help us to obtain a better insight into the basic conditions that prevail in the Colombian urban economy for the maintenance and reproduction of labour. It is important to emphasize that the employment and wage situation examined in the previous Chapter are major determining factors of the general conditions underlying the maintenance and reproduction of labour in Colombia.

As mentioned in Chapter III, a household may consist of individuals who are not linked by a family relationship, provided they share accommodation and other expenses. In Colombia's four largest cities, 3.6 per cent of the households are of this type. These households are rather the exception, however, since the majority of households are based on a family relationship. In 88.4 per cent of the households included in the survey (1124), the nuclear family (father and/or mother and children) constitute the core of the household and in 73 per cent there are both parents and children. The presence of other relatives can be noted in 34 per cent of the households, while the presence of non-relatives (e.g. friends, lodgers) is found in only 5.2 per cent of the households.[2] This is partly because, in a considerable number of cases, the family unit does not necessarily break-up as the life span of the household advances. Many married sons and daughters remain at home after marriage and share not only domestic work but, most importantly, income. In general it can be said that the family unit is the core of the household units in Colombia's four largest cities, irrespective of the level of income of the household.

The average size of the households in Colombia's four largest cities is 5.8 persons. As can be observed from Table 37 overleaf, in Colombia the size of the households tend to be rather large.

Only 33.2 per cent of them have 4 members or less (3.3 on average), while 54.8 per cent have between 5 and 8 members (6.4 on average) and 12 per cent have between 9 and 16 members (10.3 on average).

Table 37: Size of Households in Colombia's Four Largest Cities, 1977

Number of members	% of households	Cumulative % of households	Average number of members
2 or less	5.0	5.0	1.8
3 to 4	28.2	33.2	3.6
5 to 6	30.8	64.0	5.5
7 to 8	24.0	88.0	7.4
9 to 11	9.7	97.7	9.7
12 to 16	2.3	100.0	13.0
Total	100.0		5.8

Source: Calculations by the author based on evidence contained in Table 5-5 of U. Ayala and N. Marulanda, Empleo y Pobreza, Vol. I, Part 2, CEDE, University of Los Andes, Bogotá, July 1978.

The average number of workers per household is two. Thus, on average, there are 1.9 dependants per worker and, if the non-paid family workers are excluded from the working population, this figure rises to 2. This is a point worth pursuing a little further, and Tables 38 and 39 are used to provide statistical clarification. Table 38 shows the distribution of the households according to the number of workers per household, while the total hours worked per household are illustrated in Table 39.

As can be observed, 41.9 per cent of the households are supported by the earnings of one worker, while 58.1 per cent have 2 or more workers: 46.1 per cent have between 2 and 3 workers (2.3 workers on average) and 12.0 per cent have 4 or more workers

Table 38: Number of Workers per Household in Colombia's Four Largest Cities, 1977

Number of workers per household	% of households	Cumulative % of households
1	41.9	41.9
2	31.6	73.5
3	14.5	88.0
4	7.1	95.1
5 to 9	4.9	100.0
Total	100.0	

Source: U. Ayala and N Marulanda, Empleo y Pobreza, Vol. I, Part 2, CEDE, University of Los Andes, Bogotá, July 1978, Table 5-14.

(4.7 workers on average). The fact that in 26.3 per cent of the households there are 3 or more workers denotes the high work effort required to maintain a certain standard of living at the given level of wages. Moreover, the work-effort of the household unit is even larger when analyzed in terms of hours of work. Table 39 below, illustrates this point.

Table 39: Total Hours worked per Household in Colombia's Four Largest Cities, 1977

Hours worked per household	% of households	Average hours worked per household	Standardized working weeks worked on average a/
1 to 50 hours	29.2	40.0	0.8
51 to 100 hours	35.3	67.6	1.3
101 to 150 hours	19.6	123.7	2.5
151 to 200 hours	9.2	171.5	3.4
More than 200 hours	6.7	233 or more	4.7 or more

a/ Standardized working week of 50 hours.

Source: Calculations by the author based on evidence contained in Table 5-17 of U. Ayala and N. Marulanda, Empleo y Pobreza, Vol. I, Part 2, CEDE, University of Los Andes, Bogotá, July 1978.

If a standard working week of 50 hours is assumed - in reality it is of 48 hours a week - it can be noticed from Table 39 that 70.8 per cent of the households are supported by more than 1 standard working week and 35.5 per cent of them by more than 2 standard working weeks. If Tables 38 and 39 are compared, it is obvious that the work-effort involved in supporting the households is much higher when expressed in terms of standard working weeks than in terms of number of workers. This is because of the long hours worked by a large proportion of workers, especially among the lower-paid fraction of them. In Table 40 below, the differences between these two measurements of work-effort can be observed.

Table 40: Comparison of Households' Total Work-effort when measured in terms of both Workers and Standard Working Weeks in Colombia's Four Largest Cities, 1977.

(Percentages)

Units of work effort	% of households	
	In terms of workers	In terms of standard working weeks
1 or less	41.9	29.2
More than 1	58.1	70.8
More than 2	26.5	35.5
More than 3	12.0	15.9
More than 4	4.9	6.7

Source: Tables 38 and 39.

In effect, while 41.9 per cent of the households are supported by 1 worker, only 29.2 per cent are maintained by 1 standard week or less. This means that in 30 per cent of the households with one worker that labourer worked more than 1 standard working week to support his household. A similar pattern can be observed in the case of the households supported by more than 2, 3 and 4 work units.

More precisely, 27.4 per cent of the households showed a larger work effort in terms of standard weeks than in terms of number of workers. Moreover, if the amount of work per household working member is considered, it is found that in 41 per cent of the households the average work load per worker is more than 48 hours a week, in 17 per cent of the households it is more than 60 hours and in 5 per cent of the households it is more than 80 hours. Thus, it is evident that a large proportion of households in Colombia's four largest cities are supported by the work of several members and/or long hours of work of some of its members.

Although one might be tempted to argue that long hours of work compensate for low wages, the fact is that, despite the long hours worked in a large proportion of households, the absolute level of total and per capita household income attained by the majority of households in Colombia's four largest cities remains very low. Table 41 overleaf, is used to illustrate this point.

As shown by the ratio of the ith percentile to the median, [3] the distribution of total household income in the urban economy of Colombia is very unequal; and it is even worse when considered in terms of per capita income. For instance, while the total income of the wealthiest 20 per cent of households is <u>at least</u> 4.68 times greater than that of the poorest 20 per cent of households, this differential increases to <u>at least</u> 5.35 times when measured in terms of per capita household income. The inequality in the distribution of both total and per capita household income is also reflected by the large dispersion of incomes towards the right hand side of the distribution. Hence, while to satisfy their basic needs, the poorest 40 per cent of households have an income per head of less than 0.49 times the minimum wage, the 35 per cent wealthiest house-

Table 41: Upper Limit of the Total and Per Capita Household's Income Distribution in Colombia's Four Largest Cities (Pesos 1977) [a]

Quintiles [b]	Upper limit of the distribution		Times Minimum Wage (2.100 Col. pesos)		Measure of Inequality $P_i = p_i / p_{50}$	
	Total Income	Per capita Income	Total Income	Per capita Income	Total Income	Per capita Income
Q_1	3,930	665	1.87	0.29	0.49	0.52
Q_2	6,260	1,030	2.98	0.49	0.78	0.80
Q_3	9,980	1,560	4.75	0.74	1.25	1.22
Q_4	18,380	3,560	8.75	1.70	2.30	2.78
Q_5	100,000	30,000	47.62	14.29	12.53	23.44
Median	7,980	1,280	3.80	0.61	1.00	1.00

a/ £1 is approximately 100 Col. pesos.
b/ Q_1 represents the poorer 20 per cent of households (the first quintile), Q_2 the next poorer 20 per cent etc., and the median the poorer 50 per cent of households.

Source: Calculations by the author based on evidence contained in U. Ayala and N. Marulanda, Empleo y Pobreza, Vol. I, Part 2, CEDE, University of Los Andes, Bogotá, July 1978, pp. 5-20 and 5-21.

holds have a per capita income of more than 1 time the minimum wage, the wealthiest 20 per cent of more than 1.7 times the minimum wage and the wealthiest 10 per cent of more than 2.9 times the minimum wage. The following Table has been constructed to give a better idea of the meaning that the absolute figures presented in Table 41 have.

Table 42: The Monthly Average Consumption Basket of Manual Wage-earners in Relation to the Minimum Wage: Bogotá, Cali, Medellín and Barranquilla

(Pesos 1977)

Consumption basket for a working class family of six persons a/	6,215 Col. pesos
Minimum Wage	2,100 Col. pesos
Per capita consumption basket	1,036 Col. pesos
% of consumption basket that can be purchased with one minimum wage	33.8%
Number of minimum wages required to buy the consumption basket for six persons	2.96 minimum wages
Number of minimum wages required per capita to buy the consumption basket	0.49 minimum wages

a/ See Appendix D for the percentage composition of the consumption basket of a typical worker's family and its estimation.

Source: Planeación Nacional, "Bases para una Política de Salario Mínimo dentro de los Lineamientos del Plan de Desarrollo", Revista de Planeación y Desarrollo, Vol. VII, No. 2, July-December 1975, Table 2-3; DANE, "Indice de Precios al Consumidor - Obreros", Boletín Mensual de Estadística, No. 330, January 1979; Ministerio de Trabajo y Seguridad Social, Legislación sobre el Salario Mínimo, 1978.

According to the estimated value of the family consumption basket of manual wage-earners devised by the Central Statistical Office (DANE) for price index purposes, [4] it is evident that around 40 per cent of the households in Colombia's four main cities have a lower per capita income than that which will be required to buy the basic necessities of life. [5] We will not, however, involve ourselves

with general considerations concerning poverty - that is, relative or absolute insufficiency of incomes - but, rather, we will attempt to identify some of the most important factors that determine the observed distribution of household income and the main differences that exist among households, particularly between the poorer and wealthier households of the urban economy.

The absolute low level of payment for work and the considerable wage differentials that exist between certain types of workers in the Colombian urban economy, already analyzed in Chapter IV, are perhaps the main determinants of the low levels of total income procured by the majority of households for their support and also of the observed differences between poorer and wealthier households.

Given a certain level of earnings, the standard of living attained by the members of a household is largely determined by the size of the household that those earnings have to support.[6] Thus, an income that gives a fairly reasonable standard of living to an average family may mean a starvation standard for many abnormally large households which depend on the same income, while an income that is too low for an average family may leave bachelors with a margin to spare in other comforts. It is obvious, then, that what matters from the standpoint of the maintenance of the labour force and the standard of living attained by the workers and their families is not only the level of earnings obtained over a period of time (e.g. one month), but also the size of the household which those earnings have to support.

From here on, therefore, we shall consider the distribution of household income in per capita terms. The main advantage of the per capita income distribution is that it takes into account the differences in size of the households, standardizing them over an

homogeneous basis for purposes of comparison. No adjustment is made for differences in needs among different types of members. Not only is this the easiest course statistically, but it is also quite acceptable in view of the fact that subsistence food needs do not differ greatly by age or sex for members older than 5 years, and even very young children represent about two-thirds of the cost of one adult.[7] By the same token, the variations in cost of living that might be found in the different cities where the survey was gathered, were not considered either.[8]

But in addition to the absolute level of earnings and the size of the household that those earnings have to support, there are other factors which exert a considerable influence on both the level of per capita income achieved by the household unit and its relative position within the distribution of income. These are unemployment, the proportion of children per household, the life cycle stage of the household, the proportion of workers per household (or, in other words, the proportion of dependants per worker) and the existence of incomes from sources other than work, e.g. rents, dividends, transfers, and the like. To gain a better insight into the general conditions that prevail for the maintenance and reproduction of labour in Colombia's four largest cities, we shall now proceed to examine briefly the form and direction of the influence that these factors have both on the level of per capita income attained by the households and on their position within the general distribution of income.

(i) Unemployment

Traditionally, it has been assumed that higher levels of unemployment are to be found among the poorest households. Although this may be the case within the reality of the industrially advanced

economies, the information gathered by CEDE's survey on unemployment[9] and persons who sought employment in the week previous to the survey does not, however, provide evidence to support such a hypothesis. This point is illustrated by reference to Tables 43 and 44.

Table 43: Distribution of Households by Level of Per capita Income and Proportion of Unemployed Household Members in Colombia's Four Largest Cities, 1977 (Percentages)

	% of household members who are unemployed					
Quintiles	0-20%	20-40%	40-60%	60-80%	80-100%	Total
Q_1	96.5	2.9	0.6	-	-	100.0
Q_2	97.3	2.7	-	-	-	100.0
Q_3	96.8	2.8	0.4	-	-	100.0
Q_4	94.7	4.9	0.4	-	-	100.0
Q_5	97.4	1.9	0.7	-	-	100.0
Total	96.5	3.0	0.5	-	-	100.0

Source: Calculations by the author based on evidence contained in Table 5-31 of U. Ayala and N. Marulanda, Empleo y Pobreza, Vol. I. Part 2, CEDE, University of Los Andes, Bogotá, July 1978.

Particularly noticeable is the low proportion of households in which more than 20 per cent of its members are unemployed, in all levels of income. However, the level of unemployment is slightly higher among households with intermediate levels of per capita income (Q_4), than amongst the poorer households. This is not surprising since only the members of wealthy households can afford the cost of being unemployed. Given the low levels of per capita income and the lack of an unemployment benefit system, open unemployment can be considered a luxury out of the reach of poor families where idleness means starvation and, therefore, cannot be sustained over a long period of time. These results confirm those of Berry

who, after investigating this point in relation to the Colombian case, concluded that "a good share of the unemployed are not bottom-of-the-ladder cases", i.e. those with the lowest urban unemployment rates have relatively low income levels.[10]

The evidence presented in Table 44 below further confirms the point. Again, it is noticeable that the members of the wealthier households made a greater effort to seek employment than those of the poorer households. More precisely, 57 per cent of the households in which more than 20 per cent of their members sought employment in that week, belong to the 40 per cent wealthiest households. Thus, idleness does not seem to be an important factor in explaining either the low levels of per capita income or the differences in levels of income among the different groups of households.

Table 44: Distribution of Households by Level of per capita Income and Proportion of Household Members who sought Employment in the Week Previous to the Survey in Colombia's Four Largest Cities, 1977 (Percentages)

Quintiles	% of household members who sought employment in the week previous to the Survey					
	0-20%	20-40%	40-60%	60-80%	80-100%	Total
Q_1	97.1	1.7	1.2	-	-	100.0
Q_2	95.0	4.5	0.5	-	-	100.0
Q_3	95.0	4.6	-	0.4	-	100.0
Q_4	91.0	7.8	0.8	-	0.4	100.0
Q_5	94.4	3.3	1.9	-	0.4	100.0
Total	94.3	4.5	0.9	0.1	0.2	100.0

Source: Calculations by the author based on evidence contained in Table 5-32 of U. Ayala and N. Marulanda, Empleo y Pobreza, Vol. I, Part 2, CEDE, University of Los Andes, Bogotá, July 1978.

(ii) Proportion of household members under 12 years of age

The proportion of household members under 12 years of age, shown in Table 45 below, is another factor that can help to explain the relatively lower standards of living of the poorer 60 per cent of households as opposed to the wealthier 40 per cent.

Table 45: Distribution of Households by Level of per capita Income and Proportion of Household Members under 12 years of Age in Colombia's Four Largest Cities, 1977

(percentages)

	% of household members under 12 years of age					
Quintiles	0-20%	20-40%	40-60%	60-80%	80-100%	Total
Q_1	26.0	35.2	27.2	11.6	-	100.0
Q_2	35.5	29.0	30.0	5.5	-	100.0
Q_3	50.9	26.6	18.8	3.7	-	100.0
Q_4	61.1	25.4	12.3	1.2	-	100.0
Q_5	60.1	22.8	16.0	1.1	-	100.0
Total	48.6	27.2	20.2	4.0	-	100.0

Keys: 0-20%: None or 1 child per each 5 or more household members
20-40%: 1 to 2 children per each 5 household members
40-60%: 2 to 3 children per each 5 household members
60-80%: 3 to 4 children per each 5 household members

Source: Calculations by the author based on evidence contained in Table 5-19 of U. Ayala and N. Marulanda, Empleo y Pobreza, Vol. I, Part 2, CEDE, University of Los Andes, Bogotá, July 1978.

The evidence contained in Table 45 shows that the households with the lower standard of living tend to have a higher proportion of children amongst their members, which implies not only that a much larger proportion of dependants is likely to exist but also that at least one adult is required to stay at home and look after them (whereas in wealthier households servants perform this function). The existence of a negative association between the ratio of children to adults and the standard of living of the household does not mean,

however, that families with a high number of children will remain the poorest per se. At least among the 60 per cent poorer households (Q_1 to Q_3), relative poverty might be simply a life-cycle effect since, as the children reach the age when they can work, the families with more children are more likely to be better off than those with few or no children. This is because the income contributed by supplementary earners frequently amounts to more than the earnings of the head of the family, and thus materially affects the standard of living of the whole household.

(iii) Life-cycle effects

The evidence presented in Table 46 overleaf, aims at illustrating this point in the case of Colombia's four largest cities. The households have been categorized into two groups: those in which the head of the family is less than 40 years of age and those in which the head of the family is 40 years or more. The first group of households is to be associated with 'young' households which are likely to have a higher proportion of children among their members, whilst the second group of households is to be associated with 'mature' households in which the children are more likely to be of an age where they can work as supplementary earners, as can their mothers and other relatives. This Table looks at the contribution that the householder makes to the total household income for each of the quintiles of the per capita household income distribution.

As can be observed from Table 46, for all levels of income, the share of the householder's earnings within the household's total income is much higher in the 'younger' households than in the 'mature' ones, although the relative contribution of the head of the household diminishes as the standard of living increases. In the 'mature' group of households, however, the income of the head of the household

Table 46: Distribution of Households by per capita Income, Age of the Householder and Participation of the Householder's Earnings in the Household's Total Income in Colombia's Four Largest Cities, 1977

(percentages)

	Age: Less than 40 years			Age: 40 years or more		
	Earnings of the householder as a % of the household's total income			Earnings of the householder as a % of the household's total income		
Quintiles	0-40%	40-80%	80-100%	0-40%	40-80%	80-100%
Q_1	7.7	16.9	75.4	6.2	31.2	62.6
Q_2	3.7	34.1	62.2	25.3	38.3	36.4
Q_3	4.3	31.9	63.8	36.7	35.0	28.3
Q_4	19.2	33.3	47.5	27.5	34.0	38.5
Q_5	13.1	33.3	53.6	12.5	31.6	45.9
Total	10.0	30.6	59.4	25.3	34.2	40.5

Source: Calculations by the author based on evidence contained in Table 5-45 of U. Ayala and N. Marulanda, Empleo y Pobreza, Vol. I, Part 2, CEDE, University of Los Andes, Bogotá, July 1978.

is still very important (80 to 100 per cent) in the family budget of 62.5 per cent of the 20 per cent poorest households. By contrast, the distribution of the income contribution between more members of the household is particularly noticeable in the mature households located in the second, third and fourth quintiles of the per capita income distribution. In the 20 per cent of households with the highest standard of living, however, the contribution of the earnings of the householder again tend to be more important, although not as much as in the poorer households.

(iv) Employment rate

Thus, the position of the households in the distribution of income, especially in the case of households with a low standard of living (Q_1 to Q_3), seems to be largely dependent of the number of

workers that are able to contribute earnings towards the family budget at a certain point in time. It can be argued, therefore, that in the families of semi-skilled and unskilled workers, for whom the payment for work is very low, a relatively high number of children is a means of obtaining more incomes in the future, as the family advances in its life span and, hence, of raising the standard of living of the whole family. The relationship between the employment rate (including only those workers who earn a monetary income) and the standard of living, is shown in Table 47 below.

Table 47: Distribution of Households by Level of per capita Income and Proportion of Working Members per Household (excluding non-paid Family Workers) in in Colombia's Four Largest Cities, 1977

(percentages)

	Percentage of Working Members per Household					
Quintiles	0-20%	20-40%	40-60%	60-80%	80-100%	Total
Q_1	57.2	35.3	6.4	1.1	-	100.0
Q_2	26.8	54.6	15.0	2.7	0.9	100.0
Q_3	18.3	49.6	22.0	9.2	0.9	100.0
Q_4	17.6	39.3	25.8	10.7	6.6	100.0
Q_5	16.0	35.7	22.3	11.9	14.1	100.0
Total	25.3	42.8	19.1	7.6	5.2	100.0

Keys: 0-20%: 4 or more dependants per worker
20-40%: 1.5 to 4 dependants per worker
40-60%: .66 to 1.5 dependants per worker
60-80%: .25 to .66 dependants per worker
80-100%: none to .25 dependants per worker

Source: Calculations by the author based on evidence contained in Table 5-26 of U. Ayala and N. Marulanda, Empleo y Pobreza. Vol. I, Part 2, CEDE, University of Los Andes, Bogotá, July 1978.

From this Table, it can be noted that the improvement in the standard of living is largely dependent on the proportion of household members who work. In the two lowest quintiles of the per

capita income distribution, only 7.5 and 18.6 per cent of households find themselves at the bottom of the distribution, despite of the fact that more than 40 per cent of their members work. In contrast, amongst the households with intermediate and high standards of living, these proportions are 43.1 and 48.3 per cent respectively. To some extent, the relative high standard of living enjoyed by this group of households can be explained by the fact that more than 40 per cent of their members work, i.e. less than 1.5 dependants per worker. Thus, although wage differentials explain a large part of the differences in standard of living between the poorer 60 per cent and the wealthier 40 per cent of households, the relative position of the households in the distribution of income, particularly in the case of the poorer 60 per cent of households, is largely dependent on the proportion of household members that work. Thus far, the role of the supplementary earners seems to be crucial in achieving an improved standard of living for the family as a whole. Moreover, given the low level of wages and long working week that low-paid workers face, for a large proportion of families in Colombia's four largest cities there seems to be a trade-off between a large work-effort (relative large number of workers per household and/or long hours of work) and a starvation standard of living, i.e. the workers and his family will be underfed.

(v) Non-labour incomes

On the whole, income from present work is the main, indeed almost only, source of income for the majority of households: 87.5 per cent of households depend on this source for around 80 to 100 per cent of their total income and in 72 per cent of households earnings from present work are the only income. However, the proportion of households which obtained incomes from sources other than present work tends to increase with the level of per capita

income. The evidence is presented in Table 48 below.

Table 48: Distribution of Households by Level of per capita Income and Proportion of Total Income obtained from Present Work in Colombia's Four Largest Cities, 1977
(percentages)

	Percentage of total income obtained from present work			
Quintiles	0-40%	40-80%	80-100%	Total
Q_1	-	6.0	94.0	100.0
Q_2	1.3	8.2	90.5	100.0
Q_3	2.3	9.2	88.5	100.0
Q_4	2.0	15.6	82.4	100.0
Q_5	2.2	13.0	84.8	100.0
Total	1.7	10.8	87.5	100.0

Source: Calculations by the author based on evidence contained in Table 5-27 of U. Ayala and N. Marulanda, Empleo y Pobreza, Vol. I, Part 2, CEDE, University of Los Andes, Bogotá, July 1978.

In fact, less than 9.3 per cent of the households with a low standard of living (Q_1 to Q_3) obtained more than 20 per cent of their income from a different source than present work. In contrast, this percentage is 17.6 per cent and 15.2 per cent among the households with intermediate (Q_4) and high (Q_5) standard of living respectively. This is not surprising, since among the intermediate and high income households the possession of assets is more common and interests, dividends and rents are, therefore, more likely to be procured. Thus, the poorer the households are, the more they have to rely on the work of its members since idleness means virtual starvation given the lack of an unemployment benefit system.

Discussion so far has focussed, with particular reference to the Colombian case, on the main factors which in one way or another affect the basic conditions underlying the maintenance and

reproduction of labour. We have seen that in terms of both total and per capita household income striking contrasts exist between the 40 per cent wealthier and the other 60 per cent of households. The primary reason for this state of things is the unequal wage structure that exists in the economy.

Nevertheless, we have also seen that there are other factors which play an important part in the explanation of standard of living differences, especially among the 60 per cant poorer households which are generally supported by the low paid fraction of the working population, among whom wage differentials are not particularly significant. We saw that a household is less likely to be relatively poor when it consists of more adults and less children, when more of the adult members work and, consequently, when more members out of the total take employment. Contrariwise, the higher the dependency burden in any of these three senses, the more likely the household is to be relatively poor. This is because a close relationship exists between the amount of work that the households are able to endure and the standard of living attained by them.

Moreover, the amount of work that households as a whole are able to endure is strongly related to the life-cycle stage in which they find themselves. This is because the composition and dependency burden of the households change at different stages of their lives, as do their needs and levels of income.[11] As children are added to the family, income and consumption per person almost invariably decline, so that the household may pass through a period of relative poverty at this stage of its life-cycle. A household, therefore, should be expected to be relatively wealthier before the children are born or after they are old enough to begin earning an income. After children leave home, however, the standard of living

of the household might improve, remain the same, or decline, depending on the amount and sources of income with which the parents are left, e.g. incomes from present work, pensions, transfers, savings, rents and so on. Thus far, relative low standards of living - though not the absolute ones - are a life-cycle effect.[12]

Moreover, as Musgrove has pointed out, there are a number of factors to which this life-cycle is sensitive.[13] Firstly, the relative decline in the standard of living that a household may experience during the period when children are added to the family might depend on the maximum household size reached. Secondly, whether the standard of living declines or not depends on the income of the working members and on whether that income tends to rise significantly with age. In fact, some households will never experience a lowering in their standard of living, because their incomes start high or grow rapidly - unless they have an implausibly large number of children. Finally, and more importantly, is the fact that although the relative worsening of standards of living might be "temporary", for many families it does not mean that it is transitory or of no importance for the general welfare of the family: some families will experience a low standard of living all their lives, while in others this "temporary poverty" may last for a decade or two. In relation to this point, it is important to note that women and children are the most likely household members to be affected. On the one hand, women are likely to be under-nourished during the greater part of their child bearing years. On the other hand, children may have to leave school early and engage in work, thus perpetuating in this way for generations the low standards of living of their families.

In addition, we saw that the poorer households depend almost

entirely on labour income and that open unemployment can be considered a luxury out of the reach of the majority of families which are supported by low paid jobs. Thus, given the wage structure of the Colombian economy, it can be argued that the main source of difference in the standards of living attained by the lowest paid fraction of the working population (around 60 per cent) and their families stems mainly from (i) the basic socio-economic characteristics of the households and (ii) the amount of work that the members of those households are able to endure in the different stages of their life-cycle. The differences between the poorer and wealthier households, on the other hand, are, most probably, explained by the enormous wage differentials that exist between the different types of workers within the economy.

Having looked at the main factors that influence both the level of per capita income and the relative position of households within the distribution of income, the rest of this Chapter will be devoted to a detailed examination of the role that the urban non-capitalist sector of the Colombian urban economy plays in the procurement of earnings for the maintenance and reproduction of labour and, particularly, in supplementing the wages paid by the capitalist sector of the economy to the low-paid fraction of its labour force, i.e. manual wage-earners.

But in order to assess the role of the non-capitalist sector as a source of income, we must establish which part of the household's labour income stems from non-capitalist activities, as opposed to that part which stems from the capitalist sector of the economy. In other words, it is necessary to distinguish between the following three basic types of households:

(i) households in which all their labour incomes stem from the capitalist sector or, in other words, all their working members are employed in the capitalist sector ('capitalist source of income households', e.g. CSIH)

(ii) households in which all their labour incomes are obtained from non-capitalist activity or, in other words, all their working members are engaged in non-capitalist activity ('non-capitalist source of income households', e.g. NCSIH)

(iii) households in which only part of their incomes from work stems from the capitalist sector, while the other part is obtained from non-capitalist activity; part of their working members are therefore employed by the capitalist sector, while others are engaged in non-capitalist activity ('mixed source of income households', e.g. MSIH).

This classification of households was achieved by means of the following mathematical expression:

$$SI = \frac{\sum_{i=1}^{m} Y_{n\text{-}cap_i}}{\sum_{i=1}^{n} Y_i} \quad \text{where,}$$

m is the number of working members engaged in non-capitalist activity,

$\sum_{i=1}^{m} Y_{n\text{-}cap_i}$ is the labour income derived from non-capitalist activity,

n is the total number of working members in the household, and

$\sum_{i=1}^{n} Y_i$ is the total labour income of the household obtained from both capitalist and non-capitalist activities of work.

Thus, if SI = 0 the household was categorized as a 'capitalist source of income household' (CSIH);

if SI = 1 the household was categorized as a 'non-capitalist source of income household' (NCSIH);

and,

if $0<SI<1$ the household was categorized as a 'mixed source of income household' (MSIH)

In addition, given that the composition and needs of the households change at different stages of their life-cycle, the households in each of the three categories just mentioned were further classified according to their position in their life span.[14] Three stages in the household's life-cycle were defined by means of the age of the householder, as follows:

(i) 'young households' are those made up by a married couple without children, or with few young children, and is assumed to occur at age 34 or less of the head of the household.

(ii) 'intermediate households' are those which are at the stage when the oldest child is aged approximately between 8 and 18 and is assumed to occur at ages of the head between 35 and 49.

(iii) 'mature households' are those which are at the stage when most of the children are of an age at which they can work to help support the household and is assumed to occur at age 50 or more of the head of the household.

The categorization of the households by source of income and life-cycle stage will be maintained throughout the analysis of the remaining part of this Chapter. The distribution of households classified upon the basis described above is summarized in Table 49 overleaf.

As regards the source of labour income, it was found that 47.8 per cent of the households in Colombia's four main cities are CSI households, 26.1 per cent are NCSI households and the same proportion are MSI households. Moreover, in 46 per cent of the MSI households,

Table 49: Classification of Households by Source of Income and Position in their Life Span in Colombia's Four Largest Cities, 1977

(percentages)

Type of household	Age of the householder						Total	
	34 years or less		35 to 49 years		50 years or more			
CSIH	56.0		49.3		39.2		47.8	
NCSIH	27.6		27.6		22.4		26.1	
MSIH	16.4		23.1		38.4		26.1	
0- 40% a/		8.4 (51.2)		12.2 (52.8)		14.5 (37.8)		12.0 (46.0)
40- 60%		5.7 (34.8)		4.7 (20.4)		13.6 (35.4)		7.6 (29.9)
60-100%		2.3 (14.0)		6.2 (26.8)		10.3 (26.8)		6.5 (24.1)
Total	100.0	(100.0)	100.0	(100.0)	100.0	(100.0)	100.0	(100.0)

a/ Proportion of labour income derived from non-capitalist work activities.

Abbreviations: CSIH stands for capitalist source of income household; NCSIH for non-capitalist source of income household; and MSIH for mixed source of income household.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

the incomes obtained from the capitalist sector account for 60 per cent or more of the total labour income, and in 29 per cent, those incomes represent between 40 and 60 per cent of their labour income. Only in 25 per cent of the MSI households does the income obtained from the capitalist sector account for less than 40 per cent of the total income derived from work.

It is not surprising to find that the main source of income for the maintenance and reproduction of the workers and their families stems from capital. However, what is worth noting from the evidence presented in Table 49 is that although only 32.5 per cent of the working population is engaged in non-capitalist activity, the incomes obtained from that sector make some contribution in 52.2 per cent of the households. Moreover, the fact that 26.1 per cent of the households are 'mixed' indicates the importance of the non-capitalist sector as a complementary source of income for the maintenance and reproduction of the labour force in Colombia's four largest cities.

With regard to the life-cycle stage in which the households find themselves, it was found that 23.4 per cent of the households in Colombia's four largest cities are 'young', 47.2 per cent are 'intermediate' and 29.5 per cent are 'mature' households. It is worth noting that the 'intermediate' households which, as we shall see later on, are the ones with the lower standards of living, account for almost 50 per cent of the households in Colombia's four largest cities.

Some contrasting differences can be observed among households in different life-cycle stages, with regard to their source of income. For instance, among the 'young' households the proportion of households that depend exclusively on the capitalist sector for their maintenance (56 per cent) is very high, but this dependence

diminishes as the lifetime of the family advances. This is not at all surprising, when one takes into account the preference of the capitalist sector for younger workers: 62 per cent of the workers of the capitalist sector are under 35 years of age. This is partly because younger workers are likely to be stronger and physically more efficient - especially in manual occupations - and also partly because the price of their labour is cheaper than that of more experienced workers. However, the proportion of 'mixed' households increases as the households advance through their life span: among the 'mature' households they represent 38.4 per cent. At present, this might be partly explained by the difficulty that young workers entering the labour market for the first time have in finding a job in the capitalist sector of the economy.

On the other hand, the NCSI households represent 22.4 per cent among the 'mature' households, while in both 'young' and 'intermediate' households, they represent 27.6 per cent. Thus, the dependence on only one sector for the procurement of incomes tends to diminish as the family advances in its life-cycle and, hence, the proportion of MSI households increases. Similarly, the extent to which a household is 'mixed' increases as the households advance through their life span. While in 51.? and 52.8 per cent of the 'mixed' young and intermediate households the earnings obtained from non-capitalist activity represent 40 per cent or less of the total labour income of the households respectively, among the mature 'mixed' households they represent 40 per cent or less in only 37.8 per cent of the households.

However, in order to gain an insight into the significance of the role played by urban non-capitalist activity in the procurement of means of subsistence for the maintenance and reproduction of

labour in Colombia's four main cities, a detailed comparative analysis of incomes and standards of living attained by the CSI, NCSI and MSI households will be carried out. Firstly, we will examine the levels and distributions of income of the different types of households, together with some of the factors that help to explain the form in which the household units, taken as a whole, procure their means of maintenance, e.g. proportion of household members who contribute income to the household expenses, existence and importance of sources of income other than present work and importance of wage income in total labour income. Thereafter, we will examine the main differences that exist among the different types of households with regard to their standards of living. Income per capita and the share of foodstuff expenditure within total income are used as indicators of the standard of living.

The distinction between households at different stages of their life cycle will be maintained throughout the analysis, but not the extent to which a household is 'mixed', i.e. in this type of household the incomes obtained from non-capitalist activity can account for 20 per cent, 50 per cent or any other percentage of total labour income. There is a two-fold reason for this. Firstly, and more obviously, to simplify the exposition of the analysis. Secondly, because whatever is said about 'mixed' households in general is equally true if they are taken separately.

But before entering into a detailed examination of incomes and the form in which incomes are procured in the different types of households, it would be instructive to look briefly at the general picture offered by Table 50 overleaf.

The most striking finding to emerge from the evidence in Table 50 is the much more favourable level and distribution of total income

Table 50: Summary of the main Characteristics of the Households by Source of Income in Relation to the Procurement of Incomes

(Column Percentages)

Characteristics	CSIH	NCSIH	MSIH	Total
1. Position of the households in their life-cycle				
- young (householder aged 34 years or less)	27.2	24.7	14.7	23.3
- intermediate (householder aged 35 to 49 years)	48.7	50.0	41.8	47.2
- mature (householder aged 50 years or more)	24.1	25.3	43.5	29.5
2. Distribution of total income				
Q_1: 4.000 or less	22.6	34.6	6.5	21.5
Q_2: 4.000 to 6.000	16.0	21.9	16.1	17.6
Q_3: 6.000 to 10.000	19.6	23.6	24.3	21.9
Q_4: 10.000 to 20.000	20.5	12.7	31.5	21.3
Q_5: 20.000 to 100.000	21.3	7.2	21.6	17.7
3. Percentage of household members who contribute to the household's expenses				
20% or less	35.0	33.6	11.4	28.4
20% to 40%	39.2	45.0	43.9	42.0
40% to 60%	14.0	10.0	28.7	16.8
60% to 80%	7.5	6.9	12.2	8.6
80% to 100%	0.3	0.3	1.4	0.6
100%	4.0	4.2	2.4	3.6
4. Share of labour income in total income				
≤80%	20.4	17.5	15.8	18.4
>80% to < 100%	14.7	9.6	17.1	14.0
100%	64.9	72.9	67.1	67.6
5. Share of wages in labour income				
0%	12.0	59.0	4.1	22.1
> 0% to ≤ 40%	4.5	5.8	17.1	8.2
>40% to < 100%	1.5	8.2	48.3	15.4
100%	82.0	27.0	30.5	54.3

Abbreviations: As in Table 49.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

of MSI households than that of the other groups of households, particularly among the 80 per cent poorer households (Q_1 to Q_4). On the other hand, the NCSI group of households have the lower levels of income. However, in relation to the comparability of the level and distribution of income among different types of households two points must be made. Firstly, when comparing the distributions of income of the CSI and NCSI households the wide-range differential that exists between manual and non-manual workers, particularly within the capitalist sector, should be taken into account. Secondly, when comparing the distributions of income of the MSI with those of both the CSI and the NCSI households the fact that, by definition, in all MSI households at least two of its members work must be borne in mind.

In fact, as Table 50 shows, in 44.7 per cent of the MSI households more than 40 per cent of household members contributed with incomes, whereas only in 25.8 per cent and 21.4 per cent of the CSI and NCSI households, respectively, could similar behaviour be observed. Similarly, while approximately one third of both CSI and NCSI households were supported by less than 20 per cent of their members, the equivalent proportion among the MSI group of households was only 11.4 per cent. The evidence on this point strongly suggests that the relatively higher level of income achieved by the MSI households is mainly explained by the much greater work-effort exerted by its members. Furthermore, if the share of labour income in total income is considered, it is precisely among the MSI households that the presence of incomes from a source other than current work seems to be less important, particularly in comparison to the CSI households. This indicator further confirms the importance of the work-effort factor in explaining the relatively higher level of income attained by the MSI households. On the other hand, the fact that the MSI households have a more 'mature' structure in general than that of the

other two groups of households, may help to explain, in part, the higher level of incomes obtained, on average, by MSI households. Now we turn to a more rigorous examination of these points.

1. LEVEL AND DISTRIBUTION OF HOUSEHOLD MONTHLY INCOME

The distribution of household incomes is the result of the distribution of earnings from work, the size and composition of households, the distribution of incomes from sources other than work, as well as other transfers that might exist as the result of taxation and social policy.[15] Moreoever, the distribution of incomes of all households is a mixture of the distribution of incomes of low-income households and both middle and high income households. As indicated by the evidence in Table 41, the distribution of household total monthly income in Colombia's four major cities is skewed towards the lower income groups and has a very long upper tail, given the dispersion of incomes towards the right and the wide inequality in the distribution of total income.

Regarding the mathematical form of the distribution of earnings, it is argued that its upper tail is approximately Pareto in form while the distribution of the lower income groups tends to fit the lognormal distribution. Empirical evidence regarding the form of the distribution has its origins in the work of Pareto, and has since grown into a considerable number of studies covering all kinds of size distributions. At first, Pareto (1897) believed that his linear function could describe the whole income distribution in spite of the fact that his measurements were confined to the upper tail, since it was only for these incomes that statistical information was available at the time. However, by the time he wrote his Manuel (1927), he admitted that the income distribution curve probably was hump-shaped. Since then it has been established that over the full

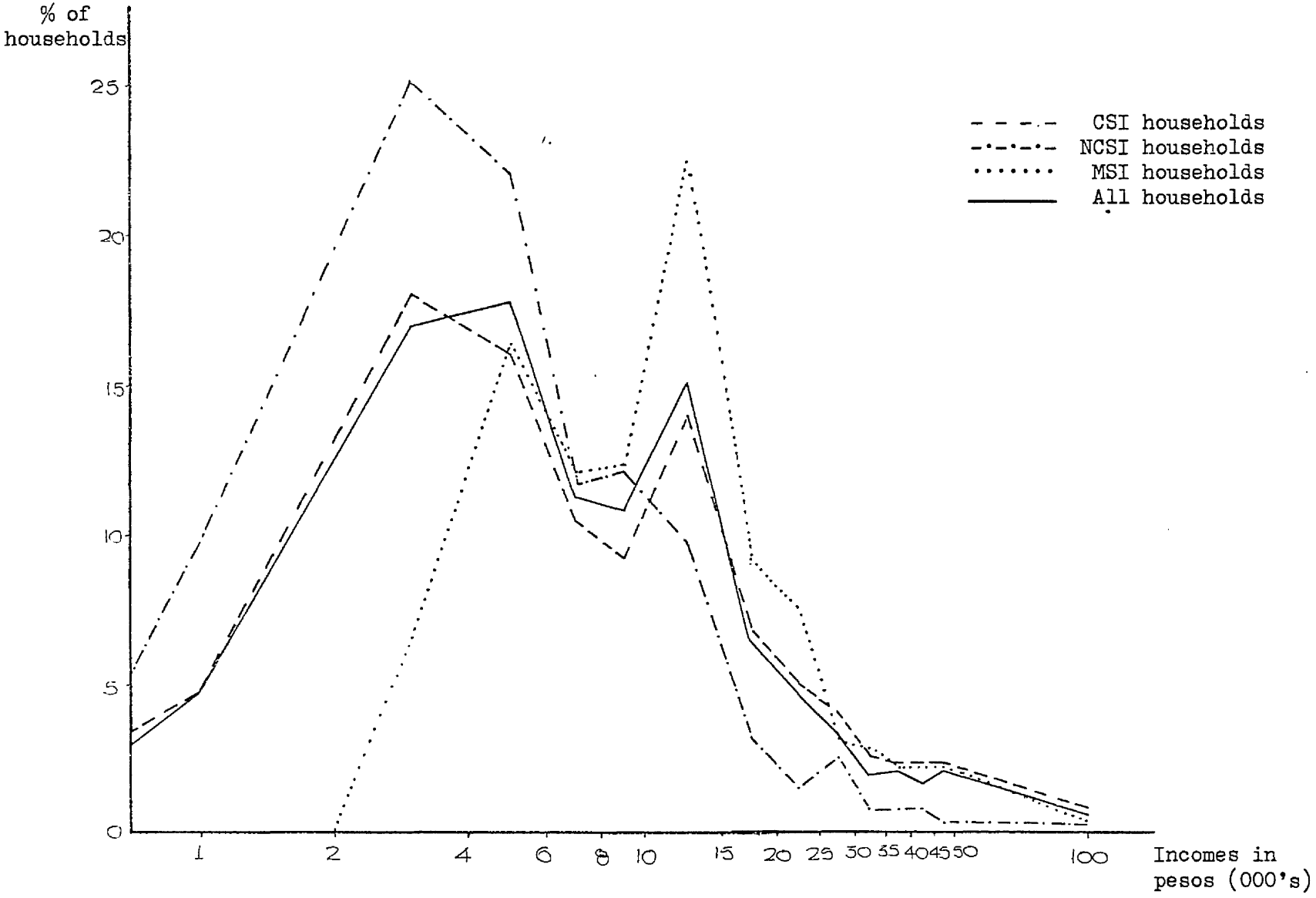
range of the income distribution the relationship is not linear when data for the low incomes are added (data which Pareto did not possess). Thus, the widening coverage of income statistics during the first few decades of this century, when they began to embrace the whole population, made it clear that theories to account for the Pareto-like tail were inadequate and that it would be necessary to find an alternative distribution which, in the typical case, would be humped-shaped and positively skew. An obvious candidate was the lognormal distribution.[16]

The lognormal distribution is a distribution which is normal in the logarithm of the variable. It has two tails asymptotic to the X-axis, of which the right tail is usually the more elongated. Thus, the lognormal distribution has an immediate appeal as a possible description of distributions of family income such as that depicted in Figure 1 overleaf. This figure illustrates the observed distribution of household monthly income for all households and for each type of household (CSI, NCSI and MSI). The data regarding the derivation of these distributions is contained in Table 1 of Appendix E.

Although all the income distributions depicted in Figure 1 are clearly skewed towards the low income groups, reflecting a large number of incomes concentrated in a comparatively narrow range at the lower end of the distribution and a relatively small number of incomes spread over a very wide range at their upper ends, there are some contrasting features of the distributions which stand out. Firstly, a contrast can be noted between the income distributions of the MSI households and both the CSI and NCSI households, in so far as the former is clearly shifted towards the right and, therefore, less unequal. As we shall see later, this is basically explained by the more favourable income situation of the MSI households, a feature

Figure 1 Observed Distributions of Households' Monthly Income of All Households and of Households by Source of Income

(Log/normal scale)



Source: Table 1 in Appendix E.

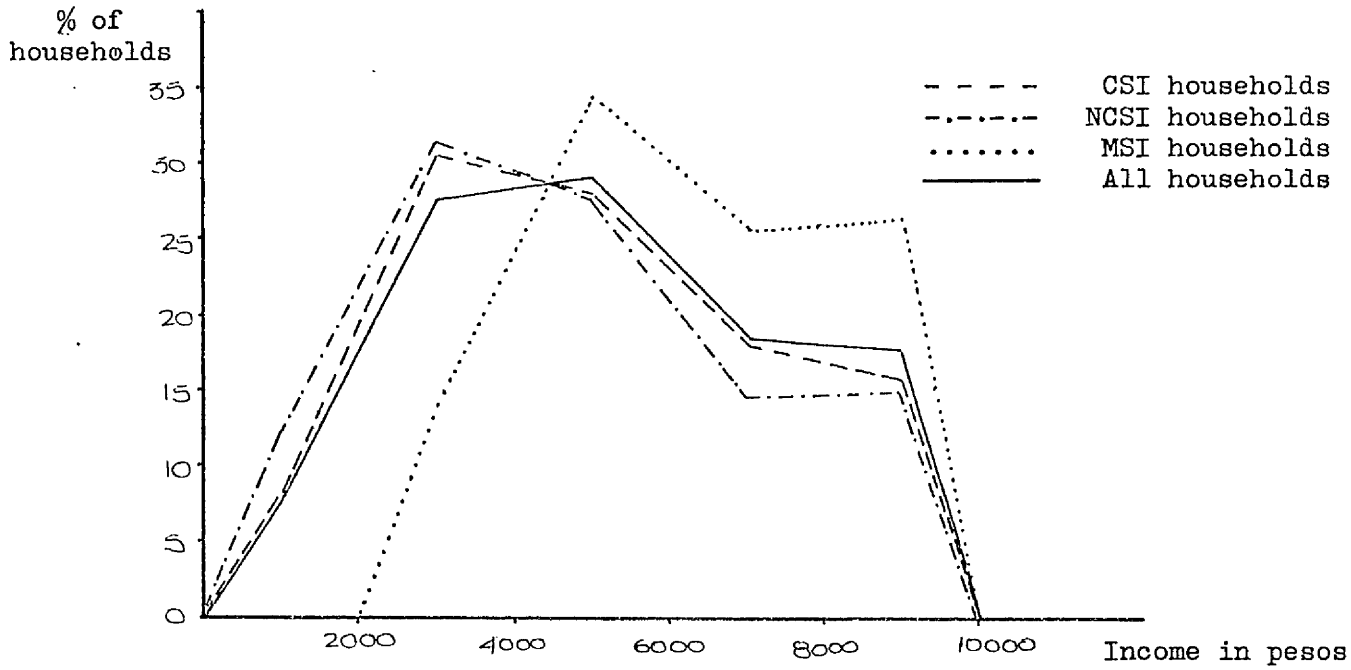
which is particularly noticeable among households with monthly incomes of less than 25.000 pesos. Secondly, a marked contrast can be observed between the income distributions of the CSI and NCSI households. Although the low level of income of the majority of NCSI households is evident, the wide wage differentials that exist between manual and non-manual workers within the capitalist sector must be borne in mind when comparing the income situation of these two groups of households. In the overall distribution of income of the CSI households, the wide differential that exists between the wages paid to manual wage-earners and those paid to the rest of the capitalist sector's work force (150 per cent) is reflected in the large dispersion and thick upper tail of the CSI households' distribution of monthly income; thereby smoothing the shape of the distribution of income in its lower part, where the majority of the low-paid workers' households are to be found.

However, if it is assumed that low income households are associated with the households of low-paid workers (mostly manual workers) and, similarly, that high income households are associated with the households of high-paid workers (mostly non-manual workers), the bias due to the different nature of the two sectors of the urban economy can be eliminated to a large extent. The main advantage of limiting the population of households to relatively more homogeneous groups is that the shapes of the distributions are affected in such a way that a better understanding can be obtained of the differences that may exist among households facing both a similar income situation and probably a similar situation of employment (e.g. manual workers), but whose members seek their labour income from different sources: the capitalist and/or the non-capitalist sector of the urban economy. Thus, in order to compare the income situation and income distribution between CSI, NCSI and MSI households, the households were divided

Figure 2 Observed Distributions of Households' Monthly Income of all Households and of Households by Source of Income among:

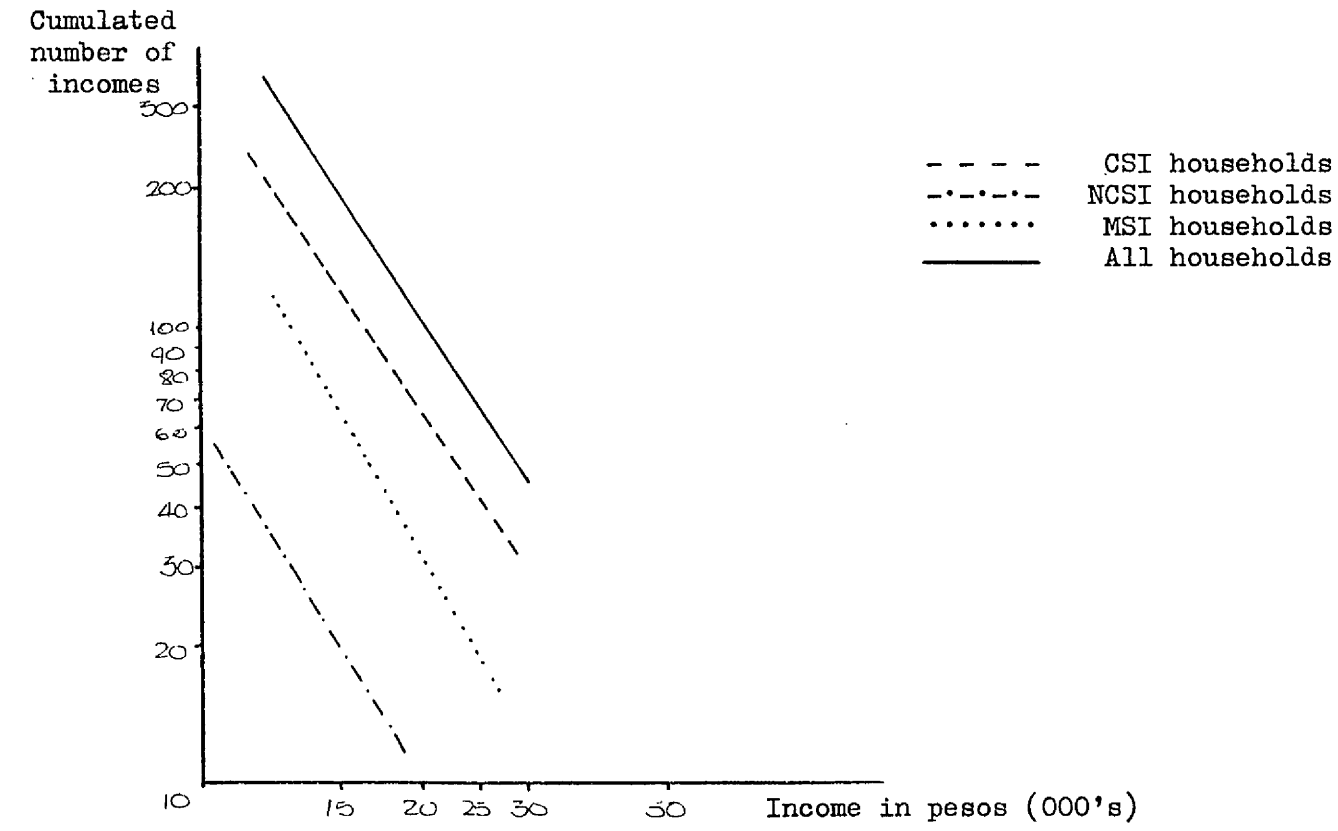
A. Poorer 60 per cent of households

(normal scales)



B. Top 40 per cent of households: Pareto curves

(log scales)



Source: Tables 2-A and 2-B in Appendix E.

into two groups: the 60 per cent poorer households and the top 40 per cent households. The observed distributions of income of these two groups of households are illustrated in Figure 2. The basic data used in the construction of the curves is contained in Table 2 of Appendix E.

In the following analysis regarding the level and distribution of incomes we shall largely be concerned with the data on the poorer 60 per cent of households. The per cent share of the 60 per cent poorer group of households within each type of household is: 58.2 per cent of CSI households, 80.1 per cent of NCSI households and 46.9 per cent of MSI households. Incidentally, these proportions maintain a certain resemblance to that which the manual wage-earners of the capitalist sector occupy within the total work force of that sector (54 per cent) and the proportion that wage-earners and manual self-employed taken together have within the total work force of the non-capitalist sector (81 per cent).

It is noticeable from Figure 2 that when the 60 per cent poorer households were taken separately, the income distribution trends of the CSI and NCSI households drew closer together, in contrast to the picture shown in Figure 1. The similarity of the income distributions of these two groups of households is mainly explained by the low differential that exists between the earnings of the manual wage-earners of the capitalist sector and the wage-earners and manual self-employed of the non-capitalist sector, who together account for 62.2 per cent of the total working population. On the other hand, the MSI households showed a relatively higher level of income and a much more favourable income distribution than the other two groups of households. Table 51 overleaf, serves to illustrate these characteristics of the distributions. In this Table, the percentage share of the median in the income of both the lowest and highest deciles and

quartiles of the distribution of income are given for each type of household. In each case, the figures in the first row refer to all households and those in the second row to the sub-sample of the 60 per cent poorer households.

Table 51: Dispersion of Monthly Incomes: the Percentage of the Median as a Measure of Inequality in Colombia's Four Largest Cities, 1977

	Median (Pesos, Nov/77)	Percentage of the median			
		Lowest decile	Lowest quartile	Highest quartile	Highest decile
CSIH					
- All households	8.200	32.1	64.5	210.0	432.1
- 60% poorer hlds.	4.778	44.7	67.3	142.2	182.3
NCSIH					
- All households	5.406	38.0	63.3	168.7	285.7
- 60% poorer hlds.	4.500	37.3	67.6	147.1	192.1
MSIH					
- All households	10.600	40.7	59.9	171.2	303.3
- 60% poorer hlds.	6.147	60.8	74.6	131.8	151.0
Total					
- All households	7.980	47.1	67.1	183.6	370.9
- 60% poorer hlds.	4.948	44.7	69.8	143.7	179.1

Abbreviations: As in Table 49.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

From the evidence contained in this Table it is clear that when all households are considered, the degree of inequality in the distribution of income is considerable in all cases, although not so extreme in either the NCSI or the MSI households as it is in the CSI households. In contrast, the figures for the 60 per cent poorer households present us with a different picture. Although the NCSI households still show a slightly lower level and more unequal

distribution of income than that of the CSI households, the proximity of the medians of income of the CSI and NCSI households and the resemblance in the dispersions of incomes indicate the similarity in the trends of the income distributions of these two types of households. (See Figure 2-A). The MSI households, in contrast, have higher levels of incomes and a more egalitarian distribution, as shown by the lower degree of dispersion around the medians, at all levels of income. Thus, it is clear that, by limiting the population of households to a more homogeneous group, the inequality of income within each type of household is reduced enormously, especially in the case of the CSI group of households.

On the other hand, the degree of inequality in the income distribution of the top 40 per cent of households is shown by the different slopes of the Pareto curves shown in Figure 2-B. One of the most important properties of Pareto's distribution is the slope of the line to the log income axis (α), which is a measure of the degree of concentration of income in the middle and upper incomes groups. The steeper the line (i.e. the higher the numerical value of α) the narrower the degree of inequality in the distribution of incomes and, vice versa, the flatter the line (i.e. the lower the numerical value of α), the greater the degree of inequality in the distribution of income. From Figure 2, it can easily be seen that the lines indicating the distribution of incomes of the MSI and NCSI households are nearly parallel (α equals -0.51 and -0.56 respectively) and steeper than that of the CSI households (α equals - 0.65).[17] This means that among the latter households there is a wider income range over which incomes are spread and, therefore, a greater disparity in incomes of rich and relatively poorer CSI households, i.e. a greater concentration of incomes in the hands of the rich.

From the evidence advanced so far, it is clear that at least among the 60 per cent poorer households there is no substantial difference between the levels of incomes obtained by households whose members sought their subsistence in either the capitalist or the non-capitalist sector of the urban economy. Moreover, the median income of these two groups of households is very similar and denotes an extremely low income in both cases: 2.27 and 2.14 times the minimum wage respectively. In contrast, the households in which their members sought their subsistence in both sectors are relatively better off in terms of both their income level (the median income is 2.93 times the minimum wage) and a more egalitarian distribution of income.

We must now consider the position of the households in their life cycle. The MSI group of households presents a much more mature structure than the other types of households which, as previously argued, could be an important factor in explaining the higher level and more egalitarian distribution of income observed for the MSI households. It will be instructive, therefore, to look at the income distribution of the 'young', 'intermediate' and 'mature' households separately in order to isolate this possible source of bias in the analysis. Table 52 overleaf illustrates the accumulated distribution of income and the median of income for each type of household at different stages of their life cycle.

Differing tendencies are observed when a comparison is made of households of the same type at different stages of their life span. The income distribution of the CSI households tends to deteriorate between the 'young' and 'intermediate' stage, particularly in the case of the households whose monthly incomes are below 15.000 pesos. This is also reflected in the worsening of the median of income from

Table 52: Accumulated Distribution of Income and Median of Income by Type of Households at Different Stages of their life Cycle: All Households in Colombia's Four Largest Cities, 1977

(Percentages)

Income Range (Pesos 1977)	Young				Intermediate				Mature			
	CSIH	NCSIH	MSIH	ALL	CSIH	NCSIH	MSIH	ALL	CSIH	NCSIH	MSIH	ALL
⩽ 5.000	34.2	58.3	27.9	39.8	32.2	40.4	18.0	31.2	24.8	43.2	11.0	23.6
⩽ 10.000	58.9	83.3	55.8	65.5	61.7	77.2	45.9	62.5	50.5	82.8	44.1	55.0
⩽ 15.000	74.6	91.7	76.7	79.6	75.1	86.7	68.8	77.0	62.9	93.7	66.9	71.0
⩽ 20.000	81.4	-	81.4	84.2	79.7	90.1	79.5	82.7	73.8	99.1	76.4	80.2
⩽ 25.000	85.5	93.1	90.7	88.4	84.3	92.2	86.9	87.2	80.0	-	83.5	85.4
⩽ 30.000	88.9	97.3	95.3	92.2	88.1	94.9	89.4	90.4	84.7	-	86.6	88.4
⩽ 50.000	99.3	98.7	100.0	99.1	96.5	98.3	99.2	97.8	94.0	100.0	96.0	96.0
> 50.000	100.0	100.0		100.0	100.0	100.0	100.0	100.0	100.0		100.0	100.0
Median (Pesos 1977)	8.667	4.400	8.250	6.500	7.531	5.824	10.909	7.759	9.833	5.625	11.071	9.105
% of all Households	13.0	6.4	3.9	(23.3)	23.3	13.0	10.9	(47.2)	11.5	6.6	11.4	(29.5)

Abbreviations: As in Table 49.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

8.667 to 7.531 pesos between these two stages of their life span. However, the 'mature' households show a much better distribution of income and a higher median of income. In the case of the NCSI households which, as expected, show the lowest level of incomes, the distribution of income improves between the 'young' and 'intermediate' stages but deteriorates in the 'mature' stage. However, this is due to the fact that among the 'mature' NCSI households there are practically no households with incomes above 20.000 pesos. On the other hand, the level and distribution of income of the MSI households improves as the households advance along their life span, showing the highest median of incomes of all in the 'intermediate' and 'mature' stages. However, the superiority in the level and distribution of income of the MSI households only holds among households with incomes below 15.000 pesos in the case of 'young' and 'mature' households and among households with incomes below 20.000 in the case of 'intermediate' households, when the CSI households take over. Let us examine now the level and distribution of income of the 60 per cent poorer households, as illustrated in Table 53 overleaf.

A comparison of the trends of the income distribution of CSI, NCSI and MSI households which are in similar stages of their life cycle, yields different results. Among 'young' households it may be observed that MSI households are much better off, followed by CSI households and then by NCSI households. The contrast between the income situation of the different types of 'young' households is further confirmed by their medians of monthly income: 5.500 pesos, 4.588 pesos and 3.885 pesos respectively. However, as the households advance in their life cycle, the contrast between the income situation and distribution of the CSI and NCSI households diminishes quite rapidly. As can be observed from the evidence contained in Table 53, in the 'intermediate' and 'mature' stages, the similarity in the trend

Table 53: Accumulated Distribution of Income and Median of Incomes by Types of Households at Different Stages of their Life Cycle: 60 per cent Poorer Households in Colombia's Four Largest Cities, 1977

(Percentages)

Income Range (Pesos 1977)	Young				Intermediate				Mature			
	CSIH	NCSIH	MSIH	ALL	CSIH	NCSIH	MSIH	ALL	CSIH	NCSIH	MSIH	ALL
≤2.000	5.8	11.4	-	7.0	8.7	10.7	-	7.9	9.2	14.8	-	8.3
≤4.000	38.4	52.4	8.0	39.0	40.4	42.6	21.5	38.0	35.4	34.5	8.8	27.0
≤6.000	69.8	80.3	52.0	71.0	63.4	67.3	50.2	62.5	69.2	65.6	44.5	60.5
≤8.000	82.6	93.4	84.0	86.7	85.7	82.3	71.5	82.2	89.2	82.0	74.8	83.0
≤10.000	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median (Pesos 1977)	4.588	3.885	5.500	4.514	4.816	4.773	6.000	5.000	5.038	4.864	6.500	5.406
% of total households	7.7	5.5	2.2	(15.4)	14.4	10.1	5.0	(29.5)	5.8	5.5	5.0	(16.3)

Abbreviations: Same as Table 49.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

of the income distributions of the CSI and NCSI households is remarkable, although, as indicated by the medians of income, the NCSI households continue to be in a slightly worse position than their capitalist counterparts. In any case, when the 60 per cent poorer households are considered, the similarity in the overall income distribution of the CSI and NCSI households is basically explained by the similarity that exists between the income situation and distribution of CSI and NCSI households in the 'intermediate' and 'mature' stages of their life span. On the other hand, it should not be forgotten that, throughout the stages of the household's life cycle, both the level of income and the trend of the income distribution of the MSI households contrast sharply with those of both the CSI and NCSI households.

But, if the level of earnings of the low-paid group of workers engaged in either the capitalist or non-capitalist sector of the urban economy are not significantly different, why should the level of income of the MSI households differ so markedly from that of CSI and NCSI households? It is to this question that attention is now focussed in an attempt to gain a better insight into the form in which the means of maintenance are procured in the different types of households being considered.

2. FACTORS INFLUENCING THE LEVEL AND PATTERN OF HOUSEHOLD INCOME DISTRIBUTION

The aim of this sub-section is to examine certain factors which could help to explain the different patterns observed in the income level and distribution of the different types of households. The first issue is that of the ratio of workers to dependants, expressed here as a percentage of workers per household members. This ratio tends to be relatively high when the household is 'young', it falls in the 'intermediate' stage of life, and rises again in the 'mature'

stage of life when the children, and perhaps also the mother, start working. A second factor worth considering is the contribution of labour income to total income. Incomes from sources other than work tend to rise as the household advances in its life cycle, although in the four main Colombian cities, 72 per cent of the households do not have any. Finally, the share of wages in labour income was examined in order to establish the relative importance of wage-labour as a means of obtaining income in each type of household.

It is clear that in order to arrive at a proper understanding of the effects that innumerable factors have on the level and distribution of household income, further research on the conceptual and statistical aspect of the problem needs to be done, as concluded by Nicholson (1964) and Borcham and Semple (1976).[18] Nevertheless, for the general aims of this study, the evidence presented below is useful in explaining some of the differences observed in the trends of the income levels and distributions among the different types of households being analyzed.

(i) Percentage of household members who contribute some income to household expenses

In this section of the present Chapter the way in which the work load required to support the household is distributed among its members will be analyzed. The degree of concentration or distribution of this load among household members is expressed by the ratio of 'household members who contribute in order to cover the household expenses' to 'all members of the household'. It must be pointed out, however, that, with regard to the construction of this ratio, the category of workers was restricted to that of 'workers who contribute to cover household expenses' in order to obtain a better classification between dependants and workers. To assume that the earnings of every member of the family that works go into the family purse would be rather

unrealistic. Hence, for the purpose of the present analysis, workers were classified as dependants in the following cases. Firstly, workers who keep their earnings for themselves, usually young workers in high income households. Secondly, non-paid family workers who do not contribute with any monetary income to the family purse. In this way, the relative work effort involved in supporting different types of households can be assessed.

In theory, two factors may influence the magnitude of this ratio. Firstly, the level of earnings that the workers can procure from their work, since the lower they are, the more members would be required to work in order to assure a certain standard of living. On the other hand, however, the availability of household members who can work is strongly influenced by the stage of life of the household concerned. Young households should be expected to show, on average, a higher ratio than that of the intermediate households, the stage at which the work load tends to be more concentrated on the head of the family. This is because at the intermediate stage of the household's life cycle the number of children is likely to be higher and the attention of the mother is therefore usually required at home. In contrast, it is the mature households which show the highest degree of distribution of the work load among household members since at least some of the children have reached an age where they can earn an income and the mother can probably go back to work.

Table 54 overleaf illustrates the distribution of different types of households in accordance to the stage of their life cycle and the ratio of dependants to workers. From this Table, the contrast between 'young', 'intermediate' and 'mature' households in relation to this indicator emerges clearly for all types of households. However, the degree of concentration of the work load in a lower or greater

Table 54: Distribution of Different Types of Households by Percentage of Household Members who contribute Income to cover the Household Expenses in Colombia's Four Largest Cities, 1977

(Percentages)

% of Household members who contribute income to cover the household expenses a/	Young				Intermediate				Mature			
	CSIH	NCSIH	MSIH	ALL	CSIH	NCSIH	MSIH	ALL	CSIH	NCSIH	MSIH	ALL
0 to 20%	25.3	30.0	9.3	23.9	45.2	44.1	13.2	37.4	25.4	16.2	10.4	17.5
20 to 40%	43.7	52.9	32.6	44.3	37.7	40.0	47.9	40.7	37.3	47.3	44.0	42.2
40 to 60%	16.2	8.6	25.6	15.7	10.3	6.9	27.3	13.3	19.0	17.6	31.2	23.4
60 to 80%	7.0	5.7	27.9	10.2	5.6	6.2	6.6	6.0	11.9	9.5	12.0	11.4
80 to 100%	-	-	-	-	-	0.7	2.5	0.8	0.8	-	0.8	0.6
100%	7.8	2.8	4.6	5.9	1.2	2.1	2.5	1.8	5.6	9.4	1.6	4.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

a/ 0 to 20%: 4 or more dependants per worker
20 to 40%: 1.5 to 4 dependants per worker
40 to 60%: .66 to 1.5 dependants per worker
60 to 80%: .25 to .66 dependants per worker
80 to 100%: none to .25 dependants per worker
100% : no dependants per worker

Abbreviations: Same as Table 49.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

proportion of household members varies in the different types of households. At all stages of the household's life cycle, the MSI households show a greater proportion of households in which a much higher proportion of members contribute to cover the household expenses than in the other two types of households. In other words, the ratio of dependants to workers is much lower. By contrast, in the bulk of CSI and NCSI households the work load is carried by fewer members of the household. This is especially noticeable among intermediate households, which account for the majority of CSI and NCSI households, where 82.9 per cent and 84.1 per cent respectively are supported by less than 40 per cent of their members, i.e. more than 1.5 dependants per worker. Thus far, the higher level of income attained, on average, by the MSI households is mainly explained by the relatively larger participation of their members in the procurement of incomes. This is in spite of the similar characteristics of the households as regards their position in their life cycle.

(ii) Share of labour income in total income

The earnings obtained from work constitute the main source of income for the majority of households in Colombia's four largest cities. In fact, 72 per cent of households have no other source of income. However, it would be interesting to briefly examine the differences that can be observed among different types of households in relation to this indicator. Table 55 overleaf contains the relevant information.

From this Table it is noticeable that, as the households advance in their life cycle, a higher proportion of them have incomes from sources other than work, especially in the mature stage. This is not surprising since these households have the higher proportion of

Table 55: Distribution of the Different Types of Households according to the Share of Labour Income (Y_l) in Total Income (Y_t) in Colombia's Four Largest Cities, 1977

(Percentages)

Y_l/Y_t (%)	Young				Intermediate				Mature			
	CSIH	NCSIH	MSIH	ALL	CSIH	NCSIH	MSIH	ALL	CSIH	NCSIH	MSIH	ALL
0 to 40%	3.6	8.3	-	4.1	7.1	4.1	5.7	5.9	17.0	12.0	7.9	12.4
40 to 80%	11.8	4.2	7.0	9.1	11.5	8.9	2.5	8.6	12.4	19.0	18.1	16.1
80 to 100%	12.6	9.7	16.3	12.4	13.0	11.0	15.6	13.1	20.2	6.8	18.9	16.7
100%	72.0	77.8	76.7	74.4	68.4	76.0	76.2	72.4	50.4	62.2	55.1	54.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Abbreviations: Same as Table 49.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

pensions and, probably, the higher share of rents, dividends and profits derived from the accumulation of wealth during their life time. It is worth noticing, however, that the MSI households show the lowest proportion of households in which labour income represents less than 80 per cent of total income. In fact, the proportion of MSI households in which the income from work represents 80 per cent or more of their total income is 93 per cent, 91.8 per cent and 74.0 per cent among the 'young', 'intermediate' and 'mature' households respectively. The NCSI households, on the other hand, have a slightly higher percentage of households which depend exclusively on labour incomes.

Thus, the evidence again indicates that the higher average incomes obtained by MSI households are mainly explained by the greater work-effort exerted by their members, rather than by sources other than present work.

(iii) Share of wages in labour income

In general, the wage form is the predominant form of obtaining income among the workers of the four main cities of Colombia. In effect, 68.8 per cent of the workers who earn a monetary income are wage-earners, 16.5 per cent are self-employed and 14.7 per cent are employers. Although, by definition, wage-income has not the same importance in all types of households, it might be instructive to examine the share of wages in labour income for the different types of households. Table 56 overleaf illustrates this point.

As can be observed from Table 56, the contrast in the composition of labour income is noticeable among the different types of households. Among the CSI households a clear dichotomy can be observed between households which are totally dependent on wage-labour and those which are not, i.e. mainly households of employers. In

Table 56: Distribution of the Different Types of Households according to the Share of Wages (W) in Labour Income (Y_1) in Colombia's Four Largest Cities, 1977

(percentages)

W / Y_1 (%)	Young				Intermediate				Mature			
	CSIH	NCSIH	MSIH	ALL	CSIH	NCSIH	MSIH	ALL	CSIH	NCSIH	MSIH	ALL
None	9.6	59.7	4.6	22.6	14.2	56.2	4.1	23.4	10.8	63.5	3.9	20.0
> 0 to 20%	-	-	2.3	0.4	2.7	5.5	7.4	4.5	3.9	1.4	4.7	3.6
20 to 40%	2.0	2.8	4.6	2.7	3.0	2.0	13.9	5.3	0.8	4.1	11.8	5.8
40 to 60%	0.7	4.2	23.3	5.4	0.4	5.5	12.3	4.5	1.6	5.3	21.3	10.0
60 to 80%	-	-	14.1	2.3	-	-	18.0	4.2	0.8	2.7	21.3	9.1
80 to 100%	-	1.4	20.9	3.8	-	2.7	10.7	3.2	2.3	2.7	9.4	5.1
100%	87.7	31.9	30.2	62.8	79.7	28.1	33.6	54.8	79.8	20.3	27.6	46.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Abbreviations: Same as Table 49.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

contrast, in nearly 60 per cent of the NCSI households the wage form is non-existent. Nevertheless, it is interesting to note that in almost one third of both 'young' and 'intermediate', and in one fifth of 'mature' NCSI households, the total income from present work is obtained entirely from wage-labour in the context of non-capitalist relations of production. It is perhaps this fact that helps to explain the high proportion of NCSI households whose level of income is below 4.000 pesos (34.6 per cent) if it is borne in mind that the average wage level of the non-capitalist sector is extremely low: 1.2 times the minimum wage. As the households advance in their life cycle, this dependence on wage-labour tends to diminish, however, and a high proportion of households obtain their incomes from self-employment and/or small employers. Finally, the figures for the MSI households indicate a strong dependence on wage-labour for their support, although in approximately 65 per cent of the households it is complemented by other forms of income. Probably most of the labour income obtained in the form of wages stems from the capitalist sector, while the non-capitalist sector provides a counterpart in the form of earnings from self-employment and/or small employers. In addition, it is worth pointing out that approximately 30 per cent of the MSI households obtain the totality of their earnings from wage-employment in both the capitalist and the non-capitalist sectors of the urban economy. On the other hand, the proportion of MSI households which have no income in the form of wages is very small: 4 per cent. Hence, in 88.5 per cent, 74.6 per cent and 79.6 per cent of the 'young', 'intermediate' and 'mature' MSI households respectively, wages account for more than 40 per cent of the income obtained from present work. Therefore, around 75 per cent of all MSI households obtained 40 per cent or more of their labour incomes from the capitalist sector.

In short, the evidence strongly suggests that it is mainly the exploitation of non-capitalist activity as a complementary source of income that explains the higher average level of income obtained by the MSI households. When the 60 per cent poorer households were considered, we saw that there is a striking similarity between the income situation of CSI and NCSI households, mostly due to the small differential that exists between the level of earnings obtained by manual wage-earners in the capitalist sector and that obtained by the manual self-employed in the non-capitalist sector. Thus, there is little doubt that the non-capitalist sector of the Colombian urban economy is very important as a provider of work opportunities for those members of the household who are available and willing to work but who cannot find a job in the capitalist sector, given the scarcity of job opportunities in that sector.

It would be interesting to examine the extent to which present consumption is sacrificed in order to open up sources of work for other members of the family so that the future total income of the household unit can be increased, or the real value of that income can at least be maintained when real wages fall,as has been happening since the early seventies.[19] However, the examination of this tentative hyopthesis lies beyond the scope of this thesis.

We now turn to an examination of the standards of living attained by the different types of households. Per capita income and the share of foodstuff expenditure in total income are used as indicators of the standard of living.

3. STANDARD OF LIVING OF THE DIFFERENT TYPES OF HOUSEHOLDS

As indicated at the beginning of this Chapter, the standard of living of the majority of households in Colombia's four largest cities, in terms of per capita income, is quite low. More precisely,

in terms of the standard set by the consumption basket for working class families as calculated by the Central Statistical Office of Colombia, in 1977 almost two-fifths of the households in Colombia's four major cities had a per capita income lower than that required to buy the necessities of life for the maintenance and reproduction of an average working class family under the prevailing conditions. Moreover, the evidence provided so far strongly suggests that the main cause for such low standards of living are the insufficient earnings obtained by the low-paid fraction of the working population. In addition, it was further established that a high proportion of children under 12 years of age and/or a large proportion of dependants are factors which could help to explain the low standard of living in certain cases. It was found that unemployment, on the other hand, is not a significant factor in this respect.

However, it is not an objective of this study to determine the level of poverty in relation to a standard of existence and minimum human needs (however defined), or to ascertain the proportion of the population living in poverty. The aim is rather to compare the standards of living attained by different types of households, classified by both the nature of their source of income and their position in the life cycle, in order to gain a better understanding of the relationship that exists between the employment structure and the conditions that prevail, at the household level, for the maintenance and reproduction of the labour force.

However, the standard of living attained by the households depends not only on the amount of income that the unit as a whole can procure (mainly from work) but also on its size and composition; and, obviously, different types of households have different requirements and needs. Nevertheless, per capita income provides a

minimum basis for meaningful comparisons of the standards of living attained by households of different sizes. The share of food expendture in total income further compounds the analysis of standards of living, mainly because consumption or expenditure includes less transitory variation than incomes.[20]

(i) Per capita income

Table 57 overleaf, summarizes the distribution of per capita income (contained in Table 3 of Appendix E) according to type of household. As stated above, on the whole, the level of per capita income is very low in a high proportion of households, with the NCSI households placed in the worst situation of all. The CSI households, on the other hand, are better off, despite the fact that, among the 'intermediate' and 'mature' households, the MSI households have the lowest proportion of households with a per capita income of less than 1,000 pesos. In order to gain a better idea of the per capita income situation of the different types of households there is a need to compare the levels of per capita income between (i) different types of households in the same stage of their life cycle and (ii) homogeneous types of households in different stages of their life cycle.

A comparison of the per capita income distributions of households in the same stage of their life cycle would seem to indicate (i) the relatively better situation of the CSI households, with the exception of 'intermediate' households with per capita incomes of less than 2,000 pesos, where the MSI households seem to be better off and (ii) that the lowest levels of per capita income are found among the NCSI households, as shown by the medians and trends of the distributions of per capita income.

However, the per capita income distribution of each type of

Table 57: Accumulated Distributions of Per Capita Income and Median of Per Capita Incomes by Types of Households at Different Stages of the Life Cycle in Colombia's Four Largest Cities, 1977

(Percentages)

Accumulated Per Capita Income (Pesos 1977)	Young				Intermediate				Mature			
	CSIH	NCSIH	MSIH	ALL	CSIH	NCSIH	MSIH	ALL	CSIH	NCSIH	MSIH	ALL
⩽1.000	25.4	55.5	30.2	34.4	36.8	52.1	27.9	38.9	26.4	35.2	25.2	27.8
⩽2.000	50.8	84.7	58.1	61.2	65.5	78.8	63.1	68.6	53.5	73.0	67.7	63.7
⩽3.000	63.1	88.9	67.4	70.7	73.9	84.2	80.3	78.2	65.9	91.9	77.9	76.3
above 3.000	36.9	11.1	32.6	29.3	26.1	15.8	19.7	21.8	34.1	8.1	22.1	23.7
Estimated Median (Pesos 1977)	1,927	929	1,750	1,443	1,410	971	1,600	1,330	1,859	1,305	1,394	1,476
% of all households	13.0	6.4	3.9	(23.3)	23.3	13.0	10.9	(47.2)	11.5	6.6	11.9	(29.5)

Abbreviations: Same as Table 49.

Source: Table 3, Appendix E.

household varies as the households advance through their life cycle. Among the CSI households, the 'young' households are slightly better off than the 'mature' households, while the 'intermediate' households are undoubtedly in the worst situation. The same is broadly true in the case of the MSI households, although the 'mature' households have a lower proportion of households with incomes below 1.000 pesos than the 'young' households, and the 'intermediate' households have a lower proportion of households with per capita incomes below 2.000 pesos than the 'mature' households; a fact which is reflected by the medians of per capita income as well. In contrast, the level and distribution of per capita income of the NCSI households tends to improve as the households advance through their life cycle. It is essential, however, to consider in more detail the per capita income situation of the poorer households of the Colombian urban economy. Table 58 overleaf, is used to provide statistical clarification.

It may be observed, however, that while the participation of the 60 per cent poorer households among CSI, NCSI and MSI households was 58.2 per cent, 80.1 per cent and 46.9 per cent respectively, these proportions changed to 58.6 per cent, 78.8 per cent and 64.4 per cent respectively when the 65 per cent lower per capita income households are considered. In particular, the noticeable increase in the proportion of poorer MSI households from 46.9 per cent to 64.4 per cent when per capita income, rather than total household income is considered, suggests that the MSI households are, on average, larger than the other types of households.

Nonetheless, it can be seen from Table 58 that, when only households with a per capita income of less than 2.000 pesos (65.3 per cent of all households) are considered, the MSI households are

Table 58: Households with a Per Capita Income of less than 2,000 Pesos: 65 Per Cent Poorer Households in Colombia's Four Largest Cities, 1977

(Percentages)

Income Range (Pesos 1977)	Young				Intermediate				Mature			
	CSIH	NCSIH	MSIH	ALL	CSIH	NCSIH	MSIH	ALL	CSIH	NCSIH	MSIH	ALL
0 - 500	16.2	9.8	8.0	12.5	20.4	20.9	9.1	18.2	14.4	12.9	4.7	10.0
500 - 1,000	33.8	55.8	44.0	43.7	35.6	45.2	35.0	38.6	34.8	35.2	32.5	34.0
1,000 - 2,000	50.0	34.4	48.0	43.8	43.9	33.9	55.9	43.2	50.7	51.8	62.8	56.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
% of households in each group	50.7	84.7	58.1	61.3	65.5	78.8	63.1	68.6	53.5	73.0	67.7	63.3

Abbreviations: Same as Table 49.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

better off, despite their larger size, than the households which obtained the totality of their labour incomes from employment in the capitalist sector of the urban economy. This is particularly true in the case of the 'intermediate' and the 'mature' households. Moreover, among the latter, the CSI households are in a slightly worse situation than the NCSI households. It is also noticeable from Table 58 that the CSI households have the highest percentage of households with per capita incomes below 500 pesos (0.24 times the minimum wage): 18.2 per cent of CSI households, while these percentages are 16.1 per cent and 6.9 per cent among NCSI and MSI households respectively. In short, when the poorer 65 per cent households are considered separately, the contrast in living standards between the CSI and NCSI households tends to lessen or disappear and the MSI households show their superior position, in terms of this indicator, at all stages of the households' life span.

(ii) Food expenditure as a percentage of total income

Food is a fundamental necessity and constitutes a primary expenditure within a consumer's budget. There is, however, a limit to the amount of food needed - or indeed, which can be physically consumed - so that once adequate standards of food consumption have been reached, expenditure on food increases proportionately at a less rapid rate than real income, with the increasing real income being devoted more towards buying other goods (Engel's law).[21] Demand for food is therefore said to be income-inelastic since a specified proportionate increase in income results in a less than proportionate increase in expenditure on food. The pattern of expenditure on food varies, however, with (i) the level of income and (ii) the composition of the household. In relation to the first point, it is argued that the highest income households spend proportionately more on what are conventionally regarded as the

quality type foods, and the poorest households spend proportionately more on the cheaper, low income necessities such as potatoes, bread and other cereals. In addition, the highest income households consume a higher quantity of food per head. Despite these facts, however, once an adequate standard of living has been reached, the high income groups tend to spend a lower proportion of their income on food. On the other hand, the household pattern of expenditure on food varies because of differences in family composition. The greater the number of children, the greater the expenditure on food within the household budget, the pattern of expenditure tending to equal that of households in the lower income ranges. Thus, although the expenditure on food per head tends to diminish as the size of the family increases, the total expenditure on food increases as a proportion of total income. In the case of households with a very low income, the family as a whole adjusts itself to the extra child by reducing the consumption of food per head. Thus, high expenditure on food as a proportion of total income indicates a low standard of living and, as it diminishes, the standard of living improves. Table 59 overleaf illustrates the share of food expenditure in total income for the various types of households at different stages of their life span. [22]

According to this indicator, the lower standard of living is found among the 'young' and 'mature' NCSI households: around 50 per cent of those households spend more than 60 per cent of their income on food. Among the NCSI and CSI 'intermediate' households there is also a high proportion of households which spend more than 60 per cent of their income on food: 34.2 per cent and 30.1 per cent respectively. Thus, in terms of this indicator, the MSI households are better off than the CSI households at all stages of the households' life span, and the latter, in turn, are better off than the

Table 59: Accumulated Distribution of Different Types of Households by Per Cent of Food Expenditure (E_f) on Total Income (Y_t) in Colombia's Four Largest Cities, 1977

(Percentages)

E_f/Y_t (%)	Young				Intermediate				Mature			
	CSIH	NCSIH	MSIH	ALL	CSIH	NCSIH	MSIH	ALL	CSIH	NCSIH	MSIH	ALL
Deficit A a/	2.1	6.2	-	2.8	2.0	5.0	0.8	2.6	2.5	1.4	0.8	1.6
Deficit B b/	5.7	20.0	-	8.5	6.5	7.1	2.5	5.8	9.1	7.0	1.6	5.7
More than 80%	10.7	40.0	-	16.6	14.6	19.2	6.6	14.1	13.2	22.3	4.0	11.7
More than 60%	25.0	50.8	11.9	29.6	30.1	34.2	12.4	27.1	23.1	48.7	10.5	24.0
More than 40%	48.6	75.4	35.7	53.5	56.6	69.2	36.4	55.4	52.9	73.7	33.3	49.9
More than 20%	84.3	90.8	78.6	85.0	88.1	92.8	75.2	86.8	85.1	95.9	75.6	83.8
More than 0%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

a/ Excess of food expenditure over income up to 25 per cent.

b/ Excess of food expenditure over income between 25 per cent and 50 per cent.

Abbreviations: Same as Table 49.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

NCSI households. Low standards of living are particularly noticeable, however, among CSI and NCSI households: 53.6 per cent and 71.8 per cent of CSI and NCSI households respectively spend more than 40 per cent of their income on food. Moreover, 10 per cent and 7 per cent of NCSI and CSI households respectively incurred a deficit of some kind during the month of October 1977, which means that those households had to resort to savings, money loans or credit facilities in order to purchase the basic food for supporting the family. It must be emphasized that a situation of deficit can be endured by the same family for only a relatively short period of time. Nonetheless, given the low level of incomes, it is quite possible that, at any point in time, around 5 per cent of the households in Colombia's four major cities will be unable to meet the minimum amount of expenditure on food required by the household to survive without incurring a deficit of some type.[23] Moreover, if total expenditure is considered, it should be expected that those households which spend 60 per cent or more of their income on food (26.7 per cent) will face permanent hardship in making ends meet.

In spite of the limitations that this indicator has at this level of aggregation, it points in a similar direction to the other indicators already analyzed: absolute low levels of income and, therefore, low standards of living. The MSI households, however, are in a more favourable position, mainly due to the greater work-effort exerted by their members.

The dominant role played by capital in the process of maintenance and reproduction of the labour force in Colombia's four largest cities is evident. According to the survey of 'Employment and Poverty', 76.5 per cent of the total earnings from work stemmed from capital as 'necessary product' for the maintenance and reproduction of the labour force, while only 23.5 per cent were obtained from

non-capitalist activities. However, when the proportion of workers engaged in non-capitalist activity (32.5 per cent) is compared with the proportion of households in which earnings derived from non-capitalist activity have some participation (52.2 per cent), the importance of the non-capitalist sector as a supplementary source of income becomes evident. The reason for this can be attributed chiefly to the absolute low level of wages and wide wage differentials that exist within the capitalist sector of the economy. Thus, although 74 per cent of the households in Colombia's four largest cities are partly or totally supported by incomes which stem from the capitalist sector of the economy, 35 per cent of these households resort to non-capitalist activity as a source of extra income. Additionally, the non-capitalist sector of the urban economy provides the totality of labour incomes in 26.1 per cent of households and, more specifically, in 19.2 per cent of households those earnings constitute the only source of income. The significance of the urban non-capitalist sector in the process of the maintenance and reproduction of labour in Colombia's four major cities is further reinforced by the fact that both the levels of income and standards of living of the households which are partly supported by earnings that stem from the capitalist sector, but which resort to non-capitalist activity as a source of extra income, are higher than in those households which are only supported by earnings procured in the capitalist sector. This is particularly true when the 60 per cent (or 65 per cent) poorer households are considered separately. Table 60 overleaf summarizes the relative position of NCSI and MSI households compared to that of CSI households, in relation to some indicators of the level of income and standard of living.

From this Table it can be seen that, in terms of both levels of income and standard of income attained, the MSI households are

Table 60: Distributions of Income and Standards of Living of both NCSI and MSI Households relative to the CSI Households: All Households and 60 per cent (or 65 per cent) Poorer Households

	Distribution of income		Median of income		Distribution of per capita income		Food expenditure in total income	
	All	60%	All	60%	All	65%	All	60%
NCSIH	worse	worse [a]	worse	worse	worse	worse	worse	-
- young	worse	worse	worse	worse	worse	better [g]	worse	-
- intermediate	worse	worse [a]	worse	worse [a]	worse	worse	worse	-
- mature	worse	worse	worse	worse [a]	worse	better	worse	-
MSIH	better	better	better	better	better	better	better	-
- young	better [b]	better	worse	better	worse	better [a]	better	-
- intermediate	better [c]	better	better	better	better [e]	better	better	-
- mature	better [d]	better	better	better	better [f]	better	better	-

- no evidence available.

a/ although very similar
b/ only below 15.000 pesos
c/ only below 20.000 pesos
d/ only below 15.000 pesos
e/ only below 2.000 pesos
f/ only below 1.000 pesos
g/ only below 500 pesos

Abbreviations: As in Table 49.

Source: Tables 52, 53, 54, 58, 59 and 60.

consistently better off than the CSI households when the 60 per cent (or 65 per cent) poorer households are considered separately. Nevertheless, it should be noticed that the standards of living of the MSI households are still very low in absolute terms, not to mention those of the majority of NCSI and CSI households. Table 61 appraises the proportion of households that are below a certain standard of living as given by several alternatives.

Alternative I is below a minimum standard of living defined by any criteria and the families below that minimum can be considered to be living in extreme poverty and need. Almost 10 per cent of the households in Colombia's four major cities are below that minimum (2 minimum wages supporting more than 8.4 persons) and especially noticeable is the fact that, among the 65 per cent poorer households, the higher proportion of households below that minimum is found among the CSI households: 18.2 per cent. To choose Alternative II would imply that households with the average number of workers per household (2 workers) ought to be able to support the average size of household (5.8 persons) by both of them earning the minimum wage, which still sounds very low: a fifth of households are below that minimum. Alternative III, bears a closer resemblance to the minimum per capita income that is required to buy the family basket for a working class family (0.49 times the minimum wage), as estimated by the Central Statistical Office. If the 65 per cent poorer households are considered separately (mainly working class families), 53 per cent of them are seen not to be in a position to buy the necessities that comprise the consumption basket of a working class family. This means that around a third of the total households in the four major cities of Colombia cannot buy that basket.

The evidence contained in Table 61 is conclusive in showing that

Table 61: Standards of Living of Different Types of Households on Alternative Assumptions:

All Households and 65 per cent Poorer Households

Alternatives	Definition: Per Capita Income	Times the Minimum Wage	Proportion of households on alternative assumptions							
			CSIH		NCSIH		MSIH		Total	
			All	65%	All	65%	All	65%	All	65%
I [a]	below 500	⩽.24	10.6	18.2	12.7	16.1	4.4	6.9	9.5	14.6
II [b]	below 750	⩽.36	20.9	35.7	29.8	37.8	13.0	20.2	21.2	32.4
III [c]	below 1,000	⩽.48	31.2	53.2	48.6	61.7	27.0	42.0	34.6	53.0
IV [d]	below 1,500	⩽.71	47.9	81.8	67.1	85.2	50.3	78.2	53.8	82.0
V [e]	below 2,000	⩽.95	58.6	100.0	78.8	100.0	64.4	100.0	65.3	100.0

a/ Alternative I: 2 Minimum Wage supporting a family of at least 8.4 persons.

b/ Alternative II: 2 Minimum Wage supporting a family of at least 5.6 persons.

c/ Alternative III: 2 Minimum Wage supporting a family of at least 4.2 persons.

d/ Alternative IV: 2 Minimum Wage supporting a family of at least 2.8 persons.

e/ Alternative V: 2 Minimum Wage supporting a family of at least 2.1 persons.

Abbreviations: Same as Table 49.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty, 1977.

the MSI households have a much lower proportion of households living below the standards given by alternatives I, II and III than the CSI households. Furthermore, if the 65 per cent poorer households of the urban economy are considered separately, the MSI households are still better off than the CSI households under all alternatives. Thus, although on the whole the MSI households are poorer than the CSI households, there is little doubt left regarding the effectiveness of non-capitalist activity as a means of raising the standards of living of working class families.

On the other hand, it is also important to note that, when the 65 per cent poorer households are considered separately, there is no significant difference between CSI and NCSI households in terms of per capita income or standards of living. Hence, poverty does not seem to be an exclusive characteristic of any particular type of worker or household, although it is less frequent among MSI households. A corollary of this is that extreme poverty is less frequent among those households where, as a result of the low level of wages, the 'inducement to work' effect seems to be especially marked.

The assessment of the evidence on the role of the urban non-capitalist sector as a provider of means of maintenance in Colombia's four largest cities is conclusive in suggesting that non-capitalist activity is indeed significant when it comes to (i) supplementing the rather insufficient means of maintenance provided by capital as 'necessary product' to its work force and (ii) supporting the reserve army of labour. A crucial implication of the effectiveness with which working class families supplement their low incomes by engaging in non-capitalist activity is that it provides capital with a greater flexibility for lowering wages, especially in periods of rapid accumulation and, more importantly, in times of recession when profits are at stake. This point will be considered further in the

concluding Chapter.

In examining the link that exists between non-capitalist activity and the labour market, wages and the process of labour reproduction, we have been concerned with the form in which the capitalist sector of the Colombian economy relates to and benefits from urban non-capitalist activity in general. We have not yet, however, looked at the form in which the capitalist sector of the Colombian economy relates to and benefits from the specific content of that activity. The next Chapter will therefore be devoted to a detailed examination, in the form of a case study, of the role played by urban non-capitalist activity as a supplier of food retailing services in Bogotá. We shall argue that, due to the unprofitable nature of small-scale retailing, capital has come to rely, in part, on the services of non-capitalist retailers, while attending only to those retail operations which are profitable in a capitalistic sense.

NOTES. Chapter V

1. On this see among others B. Seebohm Rowntree, Poverty: A Study of Town Life, Macmillan & Co. Ltd., London, 1902, pp. 40 and passim; Maurice Dobb, Wages, Cambridge University Press, 1954. pp. 54-58.

2. Domestic servants are not counted as members of the household since they do not pay anything towards the family budget but keep their own budgets separately.

3. This measure of inequality is used by Jan M. Michal in his article "Size Distribution of Earnings and Household Incomes in Small Socialist Countries", Review of Income and Wealth, Vol. 19, 1973. He defines this measure of inequality as:

$$P_i = p_i / p_{50} \qquad \text{where,}$$

p_i is the ratio of income in the ith percentile to the median (p_{50}).

4. The family consumption basket used in this study is the same as that used by DANE up to December 1978 for price index purposes. The average value of the consumption basket of a wage-earner's family in Colombia's four major cities was calculated as follows:

$$\text{C-basket}_{\text{Oct.1977}} = \sum_{i=1}^{4} \text{C-basket}_{1954\text{-}1955_i} \times \text{P-index}_{\text{Oct.1977}_i} \times W_i$$

where, $\text{C-basket}_{\text{Oct.1977}}$ is the weighted average value of a wage-earner's family consumption basket at prices of October 1977 in Colombia's four major cities;

i represents each of the four major Colombian cities;

$\text{C-basket}_{1954\text{-}1955}$ is the average value of a wage-earner's family consumption basket at prices of July 1954 - June 1955;

P-index is the October 1977 wage-earner's price index (July 1954 - June 1955=100); and,

W is a weighing factor defined as the proportion of families of low and medium-low socio-economic status in each of the four major Colombian cities at the time of the 1973 Population Census.

The data used in these calculations is contained in Table 2 of Appendix D.

5. Based on the survey of ANIF-COLDATOS, carried out in Colombia's four major cities in November 1977, ANIF calculated the value of two hypothetical consumption baskets: one of 'subsistence' and one 'desirable'. Based on these consumption baskets they found that 23 per cent of the households with 3 members were not able to buy their 'subsistence' basket, while in the case of households with 6 members and those with 10 members a deficit was found in 33 per cent and 49 per cent of households respectively. As regards the 'desirable' consumption basket, the proportion of households with 3, 6 and 10 members that could not afford such basket was 38 per cent, 56 per cent and 75 per cent respectively, in Colombia's four main cities. 'El Espectador' Newspaper, 2nd April, 1978, p.1.

6. The manner in which the present study deals with the standard of living is not normative. That is, we are not looking for what households would have to do in order to obtain some 'ideal' level of income that matches a certain standard of living considered 'adequate' or 'reasonable'. On the contrary, we are looking at the actual level of income obtained by the households and how they procure it. Moreover, the importance of analyzing the living conditions of the labour force does not derive from a moral preoccupation about poverty, but on the relevance that it has in determining the value of labour power which enters as a crucial element in the determination of the magnitude of surplus-value.

7. Aquiles Arellano, Hacia una Canasta de Consumo Mínimo, Documento de Discusión, Departamento de Economía, Universidad de Chile, Santiago, 1975 and La Pobreza en Diez Ciudades Latinoamericanas, ECIEL, Río de Janeiro, 1977. Arellano also argues that the cost of children ages 6 to 12, relative to an adult male, ranges from 0.91 to 1.00; that for adult women from 0.85 to 0.91 and that for adolescents from 1.05 to 1.09. (Quoted by Philip Musgrove, "Household Size and Composition, Employment, and Poverty in Urban Latin America", Economic Development and Cultural Change, Vol. 28, No. 2, January 1980, p.251.)

8. Although there is no such index as a cost-of-living index, perhaps an index too complex to construct at all, the average wage-earners' price index indicates that between July 1954/June 1955 and October 1977, the prices of the basic consumer goods considered in the family consumption basket of wage-earners rose much faster in Cali and Barranquilla than in Bogotá and Medellín. More precisely, in comparison to Bogotá, the general price index for wage-earners was 2.4 per cent, 10.3 per cent and 13.0 per cent higher in Medellín, Cali and Barranquilla respectively. Moreover, the original value of the consumption baskets on which the price index is based, is 18.7 per cent, 15.6 per cent and 2.9 per cent higher in Cali, Medellín and Barranquilla respectively than in Bogotá. The most serious shortcoming of these indexes as indicators of the cost of living is, however, that the pattern of expenditure, whether perfectly recorded or not at the time of the original survey (July 1954 - June 1955), is not a static pattern through time as new fashions and inventions change the way of life of the population and as certain products become preferable to others for whatever reason. On the problems that a construction of a cost-of-living index entails see W.J. Reichmann, Use and Abuse of Statistics, Methuen & Co., Ltd., London, 1966, Chapters 8 and 12.

9. 2.6 per cent of the workers surveyed were unemployed at the time the survey was made. It must be emphasized, however, that this proportion is not comparable with rates of unemployment.

10. A. Berry, "Open Unemployment as a Social Problem in Urban Colombia: Myth and Reality", Economic Development and Cultural Change, Vol. 23, 1974/75, p. 290. For similar findings regarding the case of India see George Rosen, Democracy and Economic Change in India, University of California Press, 1966, Chapter 8.

11. In relation to the individual worker, this point was thoroughly examined by Rowntree in his investigation into the state of poverty in the city of York, conducted in 1899. He found that the life of the labourer is marked by five alternating periods of relative need and plenty. During early childhood, unless his father is a skilled worker, he will probably live in poverty, This will last until he, or some of his brothers and sisters, begin to earn money and thus complement the father's wage sufficiently to raise the standard of living of the whole family. This period of relative prosperity may continue after marriage, until he has two or three children, when his standard of living starts to decline again, until his children reach an age where they can start earning some money. While the children are earning, and before they leave home to marry, the man enjoys another period of prosperity - possibly, however, only to sink back again into poverty when his children have married and left him, and he himself is too old to work, for his income has never permitted him to save enough for him and his wife to live upon for more than a very short time. Rowntree concluded that a labourer thus lives in poverty, and is therefore underfed in (i) childhood - when his constitution is being built up, (ii) in early middle life - when he should be in his prime and (iii) in old age. B.S.Rowntree, "Poverty....", op.cit., pp. 136-137.

12. This means that although the general life-cycle factors are given (e.g. age of marriage, gap between marriage and child birth, the different earnings pattern in manual and non-manual occupations, proportion of working wives, level and nature of unemployment and so on), substantial differences can be observed among households being at different stages in their life-cycle, since households are constantly changing both in size and composition and other senses (e.g. wife goes back to work) as they move along their life span.

13. Philip Musgrove, "Household Size and Composition, Employment, and Poverty in Urban Latin America", Economic Development and Cultural Change, Vol. 28, No. 2, January, 1980, pp.262-263.

14. The present study is concerned with the life-cycle aspect in a cross sectional distribution at a point in time. This means that the major life-cycle and economic factors which influence the pattern and distribution of income through time are given. These major factors referred to by Nicholson (J.L. Nicholson, Redistribution of Income in the U.K. 1959, 1957 and 1953, Bowes and Bowes, London, 1964) can be summarized as demographic movements, changes in household structure, working habits and economic developments. Analysis of the life-cycle pattern of incomes through time is indeed difficult in the absence of any longitudinal data on the income experience of the individuals and households that they belong to at different stages of their life.

15. The latter is not taken into consideration in the present analysis. However, although its inclusion might in some measure affect the shape of the income distribution, it does not alter the general line of the argument posed in the present study.

16. The theory of the lognormal distribution was first stated by D. McAlister, "The Law of the Geometric Mean", Proceedings of the Royal Society, 29, 1879, pp. 367-76. The theory was further developed by J.C. Kapteyn, Skew Frequency Curves in Biology and Statistics, Groningen, 1903 and by M.J. van Uven, "Logarithmic Frequency Distributions", Proceedings of the Academy of Science, Amsterdam, 1917. Its first important application in the field of income distribution was made by R. Gibrat, Les Inégalités Économiques, Paris, 1931, followed by M. Fréchet, "Sur les Formules de Répartition des Reveneus", Revue de l'Institut International de Statistique, Vol. 7, 1939; M. Kalecki, "On the Gibrat Distribution", Econometrica, Vol. 13, 1945, pp. 161-70; A.D. Roy in "The Distribution of Earnings and of Individual Output", Economic Journal, Vol. 60, 1950, pp. 489-505 and "Some Thoughts on the Distribution of Earnings", Oxford Economic Papers, Vol. 3, 1951, pp. 135-46; J. Aitchison and J.A.C. Brown, "On Criteria for Descriptions of Income Distribution", Metroeconomica, Vol. 6, 1954, pp. 88-107, and others. On the empirical application of the Pareto-like and lognormal distribution of income see, among others, A.B. Atkinson (Ed.), The Personal Distribution of Incomes, George Allen and Unwin Ltd., London, 1976; H. Lydall, The Structure of Earnings, Oxford, 1968; R.J. Nicholson, Economic Statistics and Economic Problems, McGraw-Hill, London, 1969, Chapters 8 and 9; Felix Paukert, "Income Distribution at Different Levels of Development: A Survey of Evidence", International Labour Review, ILO, Vol. 108, 1973, pp.97-125; and Simon Kuznets, "Quantitative Aspects of the Economic Growth of Nations: VIII. Distribution of Income by Size", Economic Development and Cultural Change, January 1963, pp. 1-80.

17. These estimates were obtained from the regression equation

$$\log Y = c + \alpha \log X$$

where Y is the number of incomes, X is the level of income, c is a constant and α is the slope of the line. The data used in these regressions refers to October 1977 and is contained in Table 2 of Appendix E. The regression equations that were obtained for each type of household and for all households (with standard errors of regression coefficients indicated in parentheses) are as follows:

(a) Y = Number of NCSI households with a monthly income greater than 10.000 pesos,

$$\log Y_{NCSIH} = 5.03 - .56 \log X_{NCSIH}$$
$$(.03)$$

$R^2 = .98$ F-value = 277.89

(b) Y = Number of CSI households with a monthly income greater than 10.000 pesos,

$$\log Y_{CSIH} = 5.61 - .65 \log X_{CSIH}$$
$$(.06)$$

$R^2 = .94$ F-value = 100.74

(c) Y = Number of MSI households with a monthly income greater than 10.000 pesos,

$$\log Y_{MSIH} = 5.20 - .51 \log X_{MSIH}$$
$$(.05)$$

$R^2 = .94$ F-value = 113.63

(d) Y = Number of households with a monthly income greater than 10.000 pesos,

$$\log Y_{total} = 5.66 - .60 \log X_{total}$$
$$(.05)$$

$R^2 = .94$ F-value = 117.39

18. J.L. Nicholson, "Redistribution of ...", op.cit., 1964, and also A.J. Boroham and M. Semple, "Future Development of Work in the Government Statistical Service on the Distribution and Redistribution of Household Income" in A.B. Atkinson (Ed.), The Personal ...", op.cit., 1976, pp.269-299.

19. See Table 9 in Chapter II.

20. Some evidence on relative transitory variation of income and expenditure can be found in Philip Musgrove, "Permanent Household Income and Consumption in Urban South America", American Economic Review, Vol. 69, June 1979, pp.355-368.

21. Some short-term exceptions might arise to this Law, particularly among households that are very poor and probably in debt. But even if these households spend most, or all, of the extra income on food, mainly because they are underfed, the occurrence of this case does not invalidate Engel's Law since this behaviour will only prevail while the family adjusts itself to its new level of income but will not be maintained in the long run.

22. As mentioned in Chapter III, CEDE's Household Survey of Employment and Poverty collected information about the households monthly expenditure on food (discriminated in eight basic groups), rent or mortgage, basic services (water, electricity and telephone) and education. It is worth noting that although in one of the pilot surveys prior to the issue of the final questionnaire a question about the amount and value of the food grown and consumed by household members was included, the question was excluded from the final version of the questionnaire due to the overwhelming absence of such practice among the households in Colombia's four major cities, particularly in the case of Bogotá. To a large extent this is due to the fact that in Colombia the availability of land for cultivation within the larger cities is a luxury that very few can afford, due to the high cost of land in densely populated urban areas.

23. This is confirmed by the striking similarity of the results obtained by CID's Consumers' Survey carried out in 1970. On this see note 35 of Chapter VI of this thesis (p. 387).

CHAPTER VI

THE ROLE OF URBAN NON-CAPITALIST ACTIVITY AS A SUPPLIER OF GOODS AND SERVICES: THE CASE OF FOOD RETAILING IN BOGOTÁ

The labour market, the process of wage determination and the reproduction of labour are not the only economic phenomena that reflect the articulation of the capitalist and non-capitalist sectors of the Colombian urban economy as integral elements of one and the same mode of accumulation. Besides permitting the generation of incomes which serve to support the reserve army of labour and supplement the insufficient means of subsistence provided by capital in the form of low wages for the maintenance of its labour force, non-capitalist activity also contributes to the process of capitalist production and accumulation by supplying (i) essential wage-goods required by urban workers for basic subsistence, (ii) cheap inputs, raw materials and services to capitalist firms and, (iii) basic services such as transport or food retailing in countries where the capitalistic provision of such services is insufficient, or more probable, not profitable enough to be provided by and large on the basis of wage-labour by capitalistic concerns or the State.

There are, however, several ways in which the analysis of the articulation between the two sectors of the Colombian urban economy in the product and service market can be approached. For instance, one could ask whether or not the capitalist sector benefits from the specific activities performed by non-capitalist workers and, if this is the case, examine the different forms in which this occurs. This question has been under discussion in the literature on urban productive heterogeneity for over a decade. Some analysts have emphasized the market subordination to which the non-capitalist sector is subjected by means of unequal terms of trade and price relationships.[1]

A common argument put forward is that non-capitalist sector workers pay higher prices for their purchases while receiving lower prices for their output, the difference being seized by the capitalist sector. [2] More important, though, is the contribution of those analysts who went a step further by arguing that, in addition to the market subordination links, there are also exploitative links that operate through the sale of cheap wage goods to wage-earners and their dependants, through the subcontracting system and through the sale of cheap inputs and intermediate products to capitalistic concerns. [3] It is argued that the profits of capitalist enterprises are being enlarged by exploiting labour outside the realm of capitalist relations of production: firstly, because the sale of cheap wage-goods to the wage-earners of the capitalist sector acts as a subsidy to wages by maintaining a low value of labour, [4] and, secondly, because by utilizing the cheap inputs and services of non-capitalist workers, capitalist enterprises are able to reduce the overall costs that would otherwise be incurred if those same tasks had been performed by wage-earners employed as permanent workers in capitalist firms. [5]

Several case studies undertaken by informal sector and petty commodity production analysts suggest that in the less advanced capitalist economies the degree of reliance of capitalist enterprises upon the workers of the non-capitalist sector for the performance of certain tasks, which are essential to their operations and that otherwise would have had to be performed on the basis of wage-labour at a higher cost, is indeed significant. For instance, the works of Birbeck, and Lerner and Guzmán, found that, in Colombia, industries producing cardboard, fertilizers, pet foods and many other products which find, in recycled rubbish a cheap source of raw materials, rely significantly on garbage pickers for the supply of valuable inputs at a very low price. [6] In another study, Bromley found that Colombian

importers and manufacturers of cheap goods which are consumed frequently and in small quantities, such as, cigarettes, matches, newspapers, imported fruits and confectionery in general, are highly dependent on thousands of street traders who provide them with cheap and efficient commercial outlets for their products. [7] It has also been found that labour intensive industries such as the clothing industry in Mexico and Colombia, and the construction industry in Senegal, rely heavily on outside workers who are engaged through the subcontracting system. [8] Gerry, for instance, argues that in Senegal the provision of maintenance and repair services to capitalist firms by workers of the non-capitalist sector has in fact become so attractive, that it is making redundant wage-earners, formerly employed as permanent workers within the factories, perform the same funcions. [9]

The relevance of these and similar case studies relates not only to the fact that they have helped to clarify some of the ways in which non-capitalist activity is brought to participate in the process of production and distribution of specific capitalist enterprises, but also to the fact that they have shown that a proportion of non-capitalist sector workers can be seen for all practical purposes as working for capitalist enterprises, but without being formally employed by them. From the employers standpoint, there are several advantages that are derived from the work relationships that underline this 'form of employment'. In the first place, employers are able to adjust very rapidly their labour requirements to the fluctuations of production throughout the year without incurring the costs of dismissing or contracting personnel, by engaging non-capitalist workers through 'subcontracting', 'direct contracting' or 'buying-up'. [10] Secondly, this type of work relationship permits employers to escape any form of social security, job security and minimum wage legislation, since there are no binding obligations of the 'employers' to their

'employees'. Thirdly, but not least important, are the downward effects that these forms of employment have upon the level of wages and bargaining power of organized labour, as well as on the formation and/or strengthening of unions. [11]

While it would be an exaggeragion to suggest that Colombia's capitalist system operates significantly on the basis of this type of work relationship, or that it is present in all sectors of the economy, an important point to realize is that, with the exception of personal services, most of the work activities in which non-capitalist sector workers engage - however menial or technically backward they may appear - are directly or indirectly relevant, and linked to the national system of capitalist production and distribution. It is equally important to realize that although, technically speaking, most of the tasks currently being performed in a non-capitalist fashion could easily be carried out in a capitalistic way, it is in the interest of capital to maintain (and even expand) the division of labour between capitalist and non-capitalist activity on a functional basis, rather than to encourage a capitalist take over of non-capitalist activities, as long as it is consistent with the goal of profit maximization and it does not restrict its own development. [12]

Of course, this is not necessarily true in the case of capitalists taken individually. While some capitalists might profit from specific activities of non-capitalist workers, others might see in those activities a threat to their own operations and oppose them. Street trading in Colombia is one of the activities over which the interests of individual capitalists have come into conflict. For some years now, commercial capital through the Association of Medium and Large Commercial Enterprises (FENALCO) has been trying to persuade the authorities to ban street trading by arguing that they constitute 'unfair competition' and, also, that they damage the image of the

Colombian cities.[13] However, throughout these attempts commercial capital has had to face the active opposition of the industrial capitalist's National Association. (ANDI).[14] Contrary to commercial capital, industrial capital sees in street trading a low cost and efficient form of distribution which pushes up consumption due to its ideal location, and which involves virtually no commitment or responsibility for the manufacturer or wholesaler. In fact, since this controversy started, several firms which benefit directly from street trading have invested capital in that activity, providing rent-free, permanent stands, covered with advertisements of the company, uniforms and credit facilities to street traders with the condition that they do not sell products which compete directly with the company products. As Bromley argues, a large proportion of these workers are little more than disfranchised employees of large enterprises and this proportion is tending to increase.[15]

But although the competition among capitalists cannot be overlooked, the fact remains that it makes no sense for productive capital to encourage the operations of commercial capital at the expense of its own profits. For this reason, and unless institutional factors banning non-capitalist workers from certain activities come into play,[16] it should be expected that for some time to come Colombia's capitalist system will continue to rely on the cheap labour of non-capitalist sector workers for the performance of certain productive and distributive tasks, rather than to promote the capitalist transformation of those activities.

In the context of the present study, however, we would like to go further and ask whether the reliance of the capitalist sector on non-capitalist activity for the performance of certain tasks arises from the inability of capital to perform those tasks at a profit, rather than from the decision of some individual capitalists to increase their

profits by using the labour of non-capitalist sector workers in some of the phases of the production and distribution processes. In other words, what is being suggested here is that, in the context of the Colombian economy, there are instances where the reliance of the capitalist sector on non-capitalist activity is not just a matter of choice or tolerance, but of necessity, determined by both the essential character and the unprofitable nature of some activities. In particular, we are thinking here of essential goods and services, the provision of which is not necessarily profitable by capitalist standards in a low wage economy, but which, nonetheless, have to be provided to all members of the community. Examples of activities which might fall within this category are food retailing services, transport and basic wage-goods such as beds, mattresses, kitchen appliances and other goods which, due to their essential character, have to be provided in a form and at prices that are accessible to all sectors of the population. Thus, whether the existence of a non-capitalist counterpart in the supply of certain basic goods and services is not only desirable but essential will depend on whether capitalist enterprises can supply the low income section of the market with these basic goods and services, in accordance to the needs of that section of the population, and still be profitable.

In fact, the division of labour between capitalist and non-capitalist activity which results from, and is consistent with, the particular form in which the process of capital accumulation is currently advancing in Colombia may be regarded as an <u>operational</u> division of labour, and carries with it a considerable rationalization: the costs of overall production and distribution are lower than they would be if capital had to accomplish these tasks itself on the basis of wage-labour. This is not only because in the case of some activities the capitalist form of production does not represent a

cheaper alternative but, more importantly, because in the context of a low wage economy the provision of many essential goods and services for low income consumers is not profitable by capitalist standards unless it is subsidized by the State. [17] In this respect, the question concerning the articulation of capitalist and non-capitalist activity in the context of the product and service market is not just whether or not the capitalist sector benefits from the actual content of non-capitalist activity, but also whether or not there is a need within the economy for a non-capitalist counterpart in the supply of certain essential goods and services.

It is obvious, however, that the question about the reliance of the capitalist sector on non-capitalist activity for the supply of certain goods and services cannot be answered in general, but only with particular reference to specific economic activities and the conditions within which they are carried out. In the present study, food retailing was chosen to illustrate this aspect of the relationship between capitalist and non-capitalist activity for the following reasons. Firstly, food retailing provides us with a good example of an essential service which, regardless of income levels, has to be provided to all members of the community on a day-to-day basis. Secondly, food retailing is the most important single activity to which the largest number of non-capitalist sector workers are devoted in Colombia. Thirdly, apart from Tokman's study on the food retailing sector of Santiago which emphasizes the competitiveness and growth possibilities of non-capitalist retailing, [18] food retailing has received very little attention in the literature on urban productive heterogeneity, due to the complex character of the activity itself. Fourthly, the availability of data collected by CID in 1970, both on the demand and the supply side of Bogotá's system of food distribution presented us with a very good, and perhaps unique, opportunity for

illustrating the reliance of the capitalist sector on non-capitalist activity for the supply of essential goods and services in the context of the Colombian urban economy.

In Colombia, food retailing is carried out in a variety of forms which range from the small market-place seller and corner grocery shop to the large supermarket and chain store, making the structure of retailing an heterogeneous one. In 1967, the last year for which comprehensive data on Trade Censuses is available, the grocery sector accounted for three quarters of the total number of food retailing outlets, for 63.8 per cent of total employment in the sector and for slightly less than half of the total food retail sales (48.6 per cent).[19] The small scale organization of food retailing in Colombia is reflected in the employment structure. According to the same source, in 1967, only 18.9 per cent of the total work force engaged in food retailing were wage-earners, whereas this percentage was 64.2 per cent in the non-food trades. Thus, while the average non-food retail establishment employed two wage-earners, in food retailing there were only 0.25 wage-earners per establishment or, what is the same, only one out of four food retail outlets in the country employed one wage-earner. This means that at least 75 per cent of the total number of food outlets in the country were operated on the basis of family labour and did not employ wage labour. Moreover, an examination of the data contained in both the 1954 and 1967 Trade Census reports reveals that, in spite of the emergence of large self-services based on modern methods of commercialization during those thirteen years, food retailing in Colombia is still predominantly a small-scale activity, staffed mainly with family labour rather than with wage-labour.[20]

Underlying the reliance of the capitalist sector on non-capitalist activity for the supply of food retailing services in a low wage

economy such as that of Colombia, are the market characteristics of the low income groups. Consumers who, as a result of their low purchasing power, are (i) permanently involved in small but frequent transactions, (ii) consume a limited range of products, and (iii) require infinite possibilities of product subdivision and the provision of credit facilities, simply do not meet the basic requirements and minimum conditions that make capitalist retailing viable. A capitalist retailer cannot make his profits from selling salt by the pinch and milk by the glass. As Metcalf has put it, favourable conditions for the development of capitalist retailing include fairly high incomes, a certain income equality and changes in consumption patterns. Equality of incomes is noted as being an essential condition for the development of a mass market for standardized products in which chain stores and other large firms can achieve economies of scale.[21] The 'unprofitable' task of selling food to that section of the market characterized by a very low purchasing power must, therefore, be left to thousands of small, non-capitalist retailers, whose methods of trading and selling meet the requirements of low income consumers.

The survival of the small retailer, however, cannot be explained by the consumer's attitude and habits alone. The particular opportunities which the small shop offers to their owners and their ability to compete must be considered. For the small retailer, the possession of a business is not merely a matter of calculating profits. For many, the possession of a shop is a means of earning a living (especially when the alternative is unemployment), securing food at wholesale prices and achieving a place in the community. In fact, the small retailer's conception of business differs substantially from that of the capitalist who owns a shop. While the latter bases his decision to remain in business on purely economic reasons, and on

exact financial calculations that provide for all costs incurred in the running of the business plus the expected profit, the former bases his decision on a non-capitalistic form of calculating 'profits', which does not take into consideration the value of his own labour and that of his family, for which no wages have to be paid. Sub-valuation of labour is, then, the key to the competitive ability of the small retailer and explains why small retailers survive and even expand their numbers, when according to economic theory they should be dying out.

Economists have not always recognized this, especially when the specific features of local demand and supply have been ignored on the basis of unrealistic assumptions about the economic rationality of consumers and retailers. Starting with Marshall, a plea for the absolute superiority of centralized large scale retailing has often been made,[22] and the numerical multiplicity of retail outlets has been often related in the literature with the question of 'too many shops', 'distributive malorganization' and 'waste of society resources'.[23] The argument is that if one large unit can offer what is offered by a number of small units, the costs of distribution can be at least proportionately reduced, due to the economies of scale that are attained through concentration. In fact, carrying this line of reasoning a little further, it is not difficult to see that the overall cost of retail distribution could be brought to a minimum if the number and size of shops could 'rationally' be adjusted to the number of shoppers in specific areas (i.e. appropriate number of shops of the right size could be concentrated in shopping centres), and if shops could be restrained to deal with specific sets of commodities in order to avoid overlapping.

Notwithstanding the practical difficulties involved in any attempt to concentrate the shops along these lines, the problem is

that the technical argument for retail rationalization does not take into consideration the demand side of the problem when pointing to the benefits of selling from centralized points.[24] For instance, the socio-economic characteristics of consumers which may make centralized retail buying agreeable and profitable to one part of the population but not to another, are not taken into account. Neither is the possibility that such centralized retail selling may be feasible for certain commodities but not for others, and may not be applicable to whole branches of the retail trade of which food retailing is but one. The fact that it would be extremely unprofitable for side street customers to buy their daily potatoes at a distant centre, though the factor of distance may not play a part when they are buying shoes, cannot be ignored. In other words, this means that the sale of potatoes cannot as 'rationally' be removed to the shopping centre as the sale of shoes has been already. In fact, once the demand side of retailing is taken into consideration, the question of the superiority of the large or the small shop becomes a relative one, dependent on the shopping requirements of consumers which each serves.

A further problem with the technical argument for retail rationalization is that it assumes that all shops are capitalistic in nature and that the principle of alternative uses of society's resources (e.g. capital, labour) holds sway throughout the range of shops involved in retailing. If this was the case, one would have to agree at once with the contention that capital is unnecessarily wasted by the numerical multiplicity of shops. In reality, however, the fact is that a large number of shops in the food trade are not capitalistic ventures and, therefore, it cannot be assumed that, if small shops were to be replaced by large ones, their owners would invest money in the financial market or in the modern commercial ventures, as would the capitalist entrepreneur if he goes out of business. Moreover, the

fact that the houses and the labour of non-capitalist retailers would no longer serve capital for the purposes of distribution further compounds the issue. Thus, to the extent that the assumptions concerning the capitalist nature of businesses and the principle of alternative uses of society's resources do not apply, there is no reason to suppose a priori that, ceteris paribus, a reduction in the number of shops in the country will diminish the portion of capital that has to be devoted to the unproductive task of distribution.

It must be recognized, however, that the availability of empirical evidence in the form of surveys and censuses, especially after the second World War, has been of great importance in tempering the theoretical argument on retailing. Economists have come to accept that, on closer inspection, there is a conflict between the so-called 'rationale of retailing' and its actual development pattern and that, as Levy has put it, "a 'rationale of retailing' can only exist if a 'rationale of shopping' could be discovered and applied". [25]

It is clear that the question concerning the economic justification for the retention of a great number of very small, non-capitalist units in Colombia's food retail trade cannot be answered by mere theorizing, but by a close investigation of (i) the needs of the consumers and the response to those needs, and (ii) the conditions under which food retailing becomes a profitable proposition for commercial capital. This will be attempted here with particular reference to the case of Bogotá, the city that commands the most modern structure of food retailing in Colombia. We shall examine the special conditions and circumstances, both on the demand and the supply side, that determine the present structure of food retailing in Colombia in an attempt to prove that, from the point of view of the needs of consumers and the profitability of the forms of retailing that satisfy

those needs, capitalist retailing is not an attractive proposition when it comes to serve the low income section of the market. In fact, we shall argue that it is precisely the existence of a gap between the needs of low income groups of the population and the ability of capitalist retailing to satisfy those needs that determines the need for a non-capitalist counterpart in the provision of such an essential service as food retailing.

The analysis will be mainly restricted to established commerce of processed and unprocessed foodstuffs. The sellers in market-places will be considered, but no consideration will be given to street traders dealing in food items. The analysis will be based on secondary data from a survey carried out in 1970 by the Centro de Investigaciones para el Desarrollo (CID) of the National University,[26] which provides reliable statistical evidence on both Bogotá's food retailing industry and the market it serves. Where necessary, the information provided by this survey will be complemented with general documentary data and qualitative information collected through interviews and direct observation by the author during fieldwork in Bogotá. Unfortunately, the data provided by DANE's Censuses of Trade is of little use for the purpose of the present study, due to the level of aggregation in which the data is presented. The main methodological aspects of CID's consumers and retail establishments surveys are summarized in Appendix F.

The Case of Food Retailing in Bogotá

In Bogotá, in 1970, there were 22.819 food retail outlets serving a population of approximately 2.537.000 inhabitants or, in other words, there were 90 outlets for each 10.000 inhabitants of the city.[27] Of these shops, 37.4 per cent were grocery shops. 33.9 per cent were specialist shops, 28.2 per cent were sellers in market-places and only 0.4 per cent were self-services.[28] (See Table 62 overleaf).

Table 62 Number of Establishments and Shops/Population Ratios by Types of Shops, Bogotá 1970

Type of Shop	Number of Shops	Shops/Population Ratios (per 10.000 inhabitants)
1. Grocery Shops	8542	33.7
2. Specialist Shops	7745	30.5
- butchers and fishmongers	1083	4.3
- bakeries	1276	5.0
- delicatessen & tobacconists	1555	6.1
- poulterers and eggs	557	2.1
- dairies	1677	6.6
- graneros (grain, pulses and the like)	1597	6.3
3. Businesses in 35 Public-Markets	6445	25.4
- stallholders (puesteros)	4290	16.9
- mobile sellers (ambulantes)	1854	7.3
- grocers	301	1.2
4. Self-services	87	0.3
- supermarkets	32	0.1
- co-operatives, membership stores & discount stores	55	0.2
Overall Total	22819	89.9

Source: Tables 3, 5A and 11 of CID's Retail Establishments' Survey Report: Volume IV of CID, Estudio de Consumidores y Distribución Urbana de Víveres en Bogotá, Universidad Nacional de Colombia, Bogotá, 1971.

The grocery shop is a counter-service shop that primarily sells the whole range of staple foods [29] and other non-food lines such as soap, candles, matches and other basic necessities. It sells both branded articles and perishable foods (i.e. vegetables, eggs, milk, bread, cheese and sometimes even meat) as well as un-prepacked, non-branded products such as sugar, salt, flour, rice and the whole range

of pulses. From the point of view of the consumer, the most attractive features of the grocery shop are proximity to home, the giving of credit, selling of products in as small quantities as required, long hours of business (76 hours a week) and owner/customer personal relationships.

As a seller of food, the small grocer has no particular advantages. He buys in small bulk and, therefore, at less advantageous terms than larger or specialized retailers. Economies of scale are non-existent. Cash purchases are common and credit, if obtained, is attached to bad terms due to the high risk the supplier is incurring. Grocers mostly rely on their labour and that of their families, but, generally, without allowing for it on their net profit balance. Even so, their net profits do not appear to be very high. Yet, in spite of all this, the independent grocer is the most important channel for food distribution in Bogotá and remains the most popular shop among consumers. The evidence in CID's Consumers Survey indicates that the grocery shop was used regularly by 28.5 per cent of the families in Bogotá for the bulk of their shopping and by another 46.5 per cent of families for some shopping. Besides being the most popular outlet for food in Bogotá, the grocery shop is also the most important outlet in terms of market share: 28 per cent of total consumers expenditure in food was channelled through grocery shops.

The specialist shop, on the other hand, is a limited-line shop that specializes in the sale of fairly homogeneous goods and which might, or might not, combine self-service with counter-service. Some of them are also producers (bakeries), others food processers (butchers), while others only re-sell goods (delicatessen). Those trading in products such as meat, milk or bread have to meet certain sanitary requirements and price regulations established by the government. Wide variations of quality influence the structure of

retailing of specialized shops. In each trade a large number of smaller units co-exist with large units, and even with chains of shops. Specialist shops tend to be located mostly in the main streets and in shopping centres, although some of them are located in the side streets. In the final analysis, however, the specific location of specialist shops is largely determined by the type of product in which they deal, by the size of the business and by the socio-economic status of the shoppers at which they are aiming. Although the differences that exist between the structures of retailing of specialist shops trading in different commodities cannot be overlooked, the fact remains that the average scale of operation of specialist shops tend to be much larger than that of their grocery counterparts.

By contrast with the grocery shops, the specialist shops have some advantages as sellers of food. By dealing with a limited range of goods they are able to buy in greater bulk, thereby obtaining better terms. For the same reason these shops can achieve some level of specialization in the handling of goods as well as economies of scale. They can also obtain credit (and good terms) from suppliers without much difficulty, since they usually deal with just a few. One may even say that these among other factors have contributed to the process of modernization and concentration in the specialist food trade in so far as economies of scale and specialization can be derived. This is not to say, however, that the smaller businesses are not able to compete successfully with the larger ones in each trade. In fact, the conditions which make the existence of a great variety of outlets in the same trade possible are various. The perishable nature of the products with which most of these shops deal, and the freshness of the commodity sought by the consumer, explain the importance of 'proximity' in these trades, the main competitive advantage of the small shop.

Differences in quality and, hence in prices, also explain to some extent why the smaller business is able to maintain its position in the market. The labour factor is again important in the survival of the small shop, although not to the same extent as in the case of the grocery shops. Although hardly any of the families in Bogotá make the bulk of their shopping in specialist shops, these constitute the second most important outlet (after grocery shops) in Bogotá's system of food distribution: 22 per cent of consumers' total expenditure in food was channelled through specialist shops of different kinds.

The importance of public markets as retail outlets relates in particular to the fruit and vegetable trade. There are 'covered markets' that open to the public seven days a week and 'open markets' that open only one or two days a week. The former are located within a building where stalls are rented to the sellers, although this does not prevent the presence of sellers who display their products on the ground. The open markets, on the other hand, usually operate on a street or an empty site on particular days of the week without facilities of any kind. Most of the businesses in public markets are non-shop businesses and the most typical method of trading used in these outlets is self-selection. Non-capitalist retailers drift into the trade of fruit and vegetables owing to its apparent simplicity and the small amount of initial cash required. No shop equipment is required except for very rustic scales, and the fees paid for stalls or the right to display products on the ground are very low. These sellers are not even expected to provide wrapping for the products they sell. The rapid turnover of this trade allows them to operate with hardly any stocks. In order to expand business, they may resort to practices such as flexibility of prices during certain hours of the day, depending on the socio-economic status of the customer, and the giving of credit, the latter entailing the danger of bad debts. Among the

most important competitive advantages of the public market are price, variety and quality of the products. There is a good deal of competition among the market-place sellers due to their physical proximity (often no more than a metre), making 'price bargaining' between seller and customer one of the major attractions of the market-place. Although proximity to local customers and the establishment of personal relationships enhance the attractiveness of the market-place, these factors are not as important as in the case of the grocery shops. It is evident that large numbers of shoppers are not reluctant to undertake journeys to buy cheaply at distant market-places, this being particularly true among the middle and high income groups. As the evidence collected by CID indicates, 59.8 per cent of the families in Bogotá regularly visit the market-place for some shopping, and another 35.1 per cent for the bulk of their shopping. Although low income families make more use of this kind of outlet (23 of the 35 market places in Bogotá were located in low income districts), a high percentage of middle and high income families make a weekly or fortnightly visit to the market-place to acquire their supplies of fruit and vegetables.

In Colombia, the supermarkets are medium to large multi-product stores operated on a self-service basis. This type of unit commercializes a vast range of both staple and luxurious foods as well as on other related non-food lines of products. The price is fixed on the product, and the whole stock assortment is displayed within the reach of the shopper. In Bogotá this type of outlet is mainly associated with costly buildings, fixtures and locations, large selling and storage areas, a parking place and several checkouts. Wage-employment is the main form of employment and these retail units usually have a management. The self-service stores behave as profit maximizing units and base their decisions on exact financial calculations, commercial expertise and modern techniques of commercialization.

In comparison to the other types of retail units, these outlets have more advantages as sellers of food. They enjoy enormous economies of scale and standardization. Suppliers give them large discounts and special treatment. In fact, the larger units use the credit of suppliers as a means of financing a good part of their operations. Their pricing policies are based on complex criteria. They manipulate their product lines and prices in order to take into account not only the various demand elasticities, but also the inter-related demands. [30] As a rule, staple foods with an elastic demand carry very low margins over direct costs, whereas non-staple foods with a more inelastic demand are priced so as to make a much more substantial contribution to overheads and profit. Cross elasticities are also taken into account in profit maximizing pricing. In a word, the management of self-services is a complex one, based on defined profit maximizing policies.

The co-operatives are gigantic organizations operated like super-markets but based on fundamentally different principles: the co-operatives organize a service for their members rather than engaging in the making of profits. In Colombia, the co-operatives are owned by workers' welfare associations and are financed out of workers' wages and by their employers. [31] As non-profit making businesses, the co-operatives are exempt from tax, and any gains are automatically re-invested into the organization's stores, schools and, recreational and medical centres. No dividend is paid to the members. Due to their financial solvency, these organizations not only have a great command of efficient and modern techniques of commercialization, but also have grown rapidly since their creation in the early 1960s. However, the lack of consistent policies and effective control by the workers who finance them, have contributed to the co-operatives' departure from the basic aim which led to their creation: to protect

the purchasing power of the working class.

The stores owned by the co-operatives are so modern and enormous that they do not appeal to the low income groups to the extent that they should, whereas they do appeal to the middle and high income groups. Thus, instead of meeting the particular demand of low income shoppers the co-operatives have encroached upon the market of supermarkets, as the recent inauguration of a number of enormous and modern stores in the high-middle and high income districts of the city demonstrates. As a matter of fact, the opening of these shops (particularly by CAFAM) raised complaints from the supermarket group in Bogotá. The supermarkets owners, particularly those of the bigger chains of supermarkets, argue that since the co-operatives are not following the objectives for which they were created, they should be taxed or subjected to stricter government controls. [32]

Convenience for the consumer in making several purchases at one store is the major attraction of large multi-product stores such as supermarkets and co-operatives. The co-operatives have a further attraction, and it is that of price, although the most luxurious kinds of foods are not stocked. The shopper usually visits the supermarket or co-operative once a week, the average sale per customer being quite large. However, the technique of self-service, chiefly exploited by supermarkets and co-operatives, appeals mostly to the middle and high income groups who buy their groceries for longer periods of time, usually have a car and prefer 'one stop shopping' instead of shopping around. In Bogotá, only 8.2 per cent of the families make the bulk of their shopping in supermarkets, while 16.4 per cent use the co-operatives. In all, self-services have at the most a 25 per cent share in Bogotá's food market. [33]

Judging by the particular characteristics of the different types

of shops, and bearing in mind that, at different income levels, customers have (1) different tastes, preferences and needs for goods, (2) different attitudes towards price, services and shop's facilities and atmosphere and, more important, (3) different purchasing power, it is not surprising to find that particular types of shops do not successfully appeal to all income groups, nor are they attempting to. In fact, to a large extent, this is reflected by the geographical distribution of shops among districts of different socio-economic characteristics. As can be observed from the figures set out in Table 63 overleaf, at one extreme is the supermarket catering for the wealthy (53.1 per cent of all supermarkets are located in areas of low density housing of high quality which only hold 9.7 per cent of Bogotá's total population), while the other types of shops are relatively more concentrated in highly populated areas of poor housing, which together hold half of the city's population. In fact, co-operative stores and market-place sellers are almost non-existent in the high income districts of the city. [34] The middle income districts, on the other hand, have around a third of all types of shops, while holding 40 per cent of Bogotá's population. Nonetheless, the fact that the presence of grocery shops, market-place sellers and co-operative stores diminishes the higher the socio-economic position of the population, while the opposite trend holds in the case of supermarkets, clearly suggests that there is a definite relationship between the socio-economic status of consumers, their needs and the type of outlet demanded.

In the next few pages we shall look at the needs and wants of the various income groups, in terms of what is consumed, in what proportions and where the foodstuffs are bought, in an attempt to highlight those features of the consumption, expenditure and purchasing patterns of the consumers which explain the need for a small-scale,

Table 63: Stores, Population, Shops/Population Ratios and Share of Shops as Percentage of Population Share by Type of Shop and Population's Socio-Economic Position, Bogotá 1970

	Number of shops	% of shops	% of population	Shops per 10.000 inhabitants	Share of shops as % of population share
Grocery Shops	8542	100.0	100.0	33.7	100.0
Low Income Districts	4749	55.6	49.7	37.7	111.9
Middle Income Districts	3391	39.7	40.6	32.9	97.8
High Income Districts	402	4.7	9.7	16.4	48.5
Specialist Shops	7745	100.0	100.0	30.5	100.0
Low Income Districts	4670	60.3	49.7	37.0	121.3
Middle Income Districts	2355	30.4	40.6	32.8	74.9
High Income Districts	720	9.3	9.7	29.3	95.9
Market-Place Sellers	6445	100.0	100.0	25.4	100.0
Low Income Districts	4343	67.4	49.7	36.2	135.6
Middle Income Districts	2091	32.4	40.6	20.3	79.8
High Income Districts	11	0.2	9.7	0.4	2.1
Supermarkets	32	100.0	100.0	0.1	100.0
Low Income Districts	4	12.5	49.7	0.03	25.2
Middle Income Districts	11	34.4	40.6	0.1	84.7
High Income Districts	17	53.1	9.7	0.7	547.4
Co-operative Shops	55	100.0	100.0	0.2	100.0
Low Income Districts	33	60.0	49.7	0.3	120.7
Middle Income Districts	21	38.2	40.6	0.2	94.1
High Income Districts	1	1.8	9.7	0.04	18.6
Overall Total	22819	100.0	100.0	90.0	100.0
Low Income Districts	13799	60.5	49.7	109.5	121.7
Middle Income Districts	7869	34.5	40.6	76.3	85.0
High Income Districts	1151	5.0	9.7	46.8	51.5

Source: Calculations by the author based on evidence contained in Tables 3, 5A and 11 of CID's Retail Establishments' Survey Report.

non-capitalistic counterpart in the supply of food retailing services, within Bogotá's economic system. We shall argue that underlying the shoppers' preferences for the combination of goods, price and service that each type of shop represents are particular consumption, expenditure and purchasing patterns which, in turn, are founded on the socio-economic characteristics of the consumers and, to a lesser extent, on the force of habit and custom.

The data on income and expenditure is taken from CID's consumers survey report which contains information on total monthly income, expenditure in foodstuffs classified in 13 groups of products, purchasing habits and other socio-economic characteristics of the members of the household which we shall not consider here. Family income and expenditure will be expressed on a per head basis in order to avoid differences in expenditure/income relations due to family size. The details concerning the scope and methodology of the consumers survey are contained in Appendix F.

The 755 household responding in the survey will be considered in four groups defined according to the level of per capita income of the household. These four groups will be designated from poorer to richest by A,B, C and D. Needless to say, the distribution of income shows its greatest concentration in the lower income range: Group A (less than 300 pesos) contains the 41.6 per cent poorer household, Group B (300 to 600 pesos) contains the next 25.7 per cent poorer households, Group C (600 to 1000 pesos) the next 14.1 per cent poorer households and Group D (over 1000 pesos) the 18.6 per cent wealthiest households. The levels of per capita income and expenditure on food, and the proportion that expenditure on food forms of total income in Groups A to D are shown in Table 64 overleaf.

Table 64: Expenditure on Food by Groups of Per capita Income, Bogotá 1970

	Group A less than $300	Group B $301 to $600	Group C $601 to $1000	Group D $1000 and over	Total
1. Average monthly income per head (pesos)	173.5	435.2	814.1	2426.9	535.0
2. Average monthly expenditure on food per head (pesos) a/	137.3	214.0	257.1	360.0	206.9
3. Average monthly expenditure on food per head as per cent of average monthly income per head (%)	79.1	49.2	31.6	14.8	38.7
4. Percentage of households from poorest to richest (%)	41.6	25.7	14.1	18.6	100.0
5. Percentage of population (%)	46.5	24.6	13.4	15.5	100.0

a/ Does not include the expenditure in foodstuffs made outside the household.

Source: Tables 21 and 22 of CID's Consumers' Survey Report: Volume III of CID, Estudio de Consumidores y Distribución Urbana de Víveres en Bogotá, Universidad Nacional de Colombia, Bogotá, 1971.

Food, as we saw in Chapter V, comprises about two fifths of total household expenditure in urban Colombia. However, due to the unequal distribution of income that characterizes Colombian society, it is hardly surprising to find that families who spend less than 15 per cent of their income on food (18.6 per cent of all families) can attain a level of per capita expenditure 2.6 times greater than that attained by families who devote almost 80 per cent of their income to the purchase of foodstuffs (41.6 per cent of all families). In fact, the degree of inequality in the distribution of income in Bogotá is such that even if, on average, the poorest 41.6 per cent of families were to spend the whole of their income on food, their level of food expenditure per head would still be far below that attained by the typical household in groups B to D. As shoppers, therefore, families who are constantly struggling to make both ends meet and, most probably, have not yet achieved the point where their basic requirements in terms of food intake are fully satisfied,[35] cannot be expected to have much in common with families who consume a much higher quantity of food, and are in a position to budget long-term.

We shall turn now to consider the detailed patterns of expenditure and consumption of the various income groups in Bogotá. The expenditure recorded for each household is the combined expenditure of the whole household in different products. The household's expenditure on particular commodities varies because of differences in family income and consumption habits, determining different expenditure patterns within each band of incomes.[36] The contrasting differences that exist in the patterns of expenditure of the different income groups can be illustrated by presenting the proportionate distribution of expenditure in the different types of products in the following way:

Table 65: Percentage of Total Per Capita Expenditure on 13 Groups of Products by Level of Per Capita Income, Bogotá 1970

	Group A (%)	Group B (%)	Group C (%)	Group D (%)	Total (%)
High calorie products					
Rice	7.4	6.1	6.1	4.8	6.2
Other cereals	8.5	7.5	6.5	6.2	7.3
Potatoes	7.4	5.4	5.3	4.0	5.6
Oil	6.8	6.3	5.6	5.0	6.0
Other processed foods a/	14.8	13.5	11.4	9.8	12.5
	44.9	38.8	34.9	29.8	37.6
Fresh products					
Milk	10.5	10.7	9.6	9.7	10.1
Eggs	7.1	8.3	7.6	7.6	7.6
Green and other vegetables	7.0	6.4	6.1	7.7	6.9
Fruits	6.7	8.1	8.6	10.1	8.3
	31.3	33.5	31.9	35.1	32.9
High protein products					
Beef	14.3	18.6	23.6	21.8	19.0
Chicken	3.6	3.3	4.5	5.6	4.2
Fish and seafood	3.0	2.5	2.2	3.9	3.0
Pork and other meats	2.9	3.3	2.9	3.8	3.3
	23.8	27.7	33.2	35.1	29.5

a/ This group includes products such as chocolate, coffee, sugar panela, salt, spices, butter, cheese and other milk products, fat, pasta, flour barley, sausages, tin and packed foods and the like.

Source: Table 25 of CID's Consumers' Survey Report.

The evidence contained in this Table clearly shows that in Bogotá households conform to a pattern which involves a change in emphasis from low income 'necessities' to 'luxurious' type foods as they move up the income scale. Thus, while the wealthier households spend proportionately more on what are conventionally regarded as the quality type foods, the poorer households spend proportionately more on the cheaper, high calorie foods such as potatoes, rice and other cereals, as well as oil and other processed foodstuffs. [37]

In terms of per capita expenditure, however, the poorer households spend less in low income necessities than wealthier households. Indeed, as the expenditure indexes contained in Table 66 overleaf indicate, in Bogotá the differential in monthly expenditure on food per person between the various income groups is extremely wide, although it varies depending on the group of products being considered. For instance, a comparison of the levels of expenditure of households at the two extremes of the income scale shows that while per capita expenditure on high calorie foods in the typical Group D household does not double that of the typical Group A household, per capita expenditure in fresh products is almost trebled, and that on high protein products is almost quadruplicated. This, of course, is explained by the changes that occur in the pattern of consumption as income rises.

It must be pointed out, however, that as income rises the household per head expenditure in each of the 13 products listed in Table 66 increases, not only because wealthier families consume a much higher quantity of food per head but also because they tend to buy higher quality goods than poor ones, i.e. better cuts of meat, more varied selection of fruits and vegetables, and so on. Statistically, the quality variation is expressed by the difference in the price of given commodities, although it must be stressed that, in addition to the difference in the quality of food, price differentials also reflect

Table 66: Index of Monthly Expenditure per Person in 13 Groups of Products by Levels of Per Capita Income, Bogotá 1970 (Group A = 100)

	Group A (%)	Group B (%)	Group C (%)	Group D (%)	Total (%)
High calorie products					
Rice	100.0	128.9	154.7	169.5	125.5
Other Cereals	100.0	136.9	142.5	191.4	128.9
Potatoes	100.0	114.6	134.6	143.6	115.0
Oil	100.0	145.2	153.8	194.6	132.8
Other processed foods [a]	100.0	142.3	144.4	172.7	127.6
	100.0	135.0	145.5	174.2	126.2
Fresh products					
Milk	100.0	159.9	172.1	242.0	146.4
Eggs	100.0	179.9	198.4	280.7	160.9
Green and other vegetables	100.0	142.3	162.5	288.5	148.2
Fruits	100.0	189.2	241.5	396.0	186.8
	100.0	166.8	190.8	294.2	158.8
High protein products					
Beef	100.0	203.0	309.7	399.6	200.0
Chicken	100.0	142.2	230.3	403.4	174.9
Fish and seafood	100.0	129.3	137.8	346.3	151.0
Pork and other meats	100.0	175.3	185.9	336.0	166.7
	100.0	181.1	260.8	385.7	185.9
Overall Total	100.0	155.8	187.2	262.2	150.6

a/ This group includes products such as chocolate, coffee, sugar, panela, salt, spices, butter, cheese and other dairy products, fat, pasta, flour, barley, sausages, tin and packed foods and the like.

Source: Calculations by the author based on evidence contained in Table 26 of CID's Consumers' Survey Report.

the service differential that exists between various types of shops - personal service as distinct from self-service, nearness to home as distinct from shopping at distant points, offering of credit facilities as distinct from cash payment, and so on. Thus, when considering the differential that exists in levels of expenditure between the various income groups, it must be taken into account that, although most of the difference in levels of expenditure represents the higher quantity of food consumed per head, some part of it reflects the price differential that exists because of variations in the quality of the product itself, and because of differences in the service offered with it by different retailers. To illustrate this point, we shall use the evidence on prices and quantities collected by CID for six commodities that are consumed by all households. In Table 67 overleaf, the quantity bought, the unit price (or more precisely, the average value) paid and the total monthly expenditure incurred in each of the six products by the typical household in Groups A to D, are indicated.

From this Table it can be seen that, in the case of all commodities, the quantity consumed per head increases with the level of income of the household, with the exception of potatoes and oil, the consumption of which diminishes slightly as one moves from the typical high-middle income household to the typical high income household. This, however, is not surprising due to the inferior nature of these products.[38] The consumption of margarine, bread and other staple foods probably follows the same trend due to changes in the pattern of consumption that a higher income brings about. In general, however, the overall tendency is for the quantity of food consumed per head to increase quite sharply as income rises, especially when it comes to fresh and high protein products. This, of course, only confirms the fact that, relatively to the high income groups, the level of consumption of the low income groups is well below and, most probably quite unsatisfactory

Table 67: Quantity, Price and Expenditure Per Head in Six Commodities by Groups of Per Capita Income, Bogotá 1970

	Monthly quantity bought per head (in kilos)				
	Group A	Group B	Group C	Group D	Average
Rice	2.29	2.95	3.37	3.72	2.82
Potatoes	6.23	7.15	8.55	7.75	7.08
Oil	0.70	1.02	1.07	0.99	0.87
Milk	4.64	7.42	8.09	10.94	6.79
Eggs	0.68	1.18	1.37	1.90	1.09
Beef	1.33	2.70	3.78	4.52	2.50
	Average price paid per kilo (in pesos)				
	Group A	Group B	Group C	Group D	Average
Rice	4.43	4.43	4.66	4.62	4.52
Potatoes	1.62	1.62	1.59	1.87	1.64
Oil	13.24	13.24	13.36	18.33	14.15
Milk	3.10	3.10	3.06	3.18	3.10
Eggs	14.10	14.87	14.21	14.43	14.40
Beef	14.77	14.77	16.05	17.35	15.71
	Per capita expenditure (in pesos)				
	Group A	Group B	Group C	Group D	Average
Rice	10.15	13.08	15.70	17.20	12.74
Potatoes	10.10	11.58	13.60	14.50	11.62
Oil	9.30	13.50	14.30	18.10	12.35
Milk	14.38	23.00	24.75	34.80	21.05
Eggs	9.78	17.60	19.40	27.45	15.74
Beef	19.61	39.82	60.74	78.36	39.23

Source: Tables 26, 27 and 28 of CID's Consumers' Survey Report.

from the point of view of what is required for a healthy existence.

As for the prices paid by the different income groups, it can be seen from the evidence contained in this Table that while the average prices paid by the typical Group D household for each of the six commodities under consideration are higher than those paid by the typical Group A household, the average prices paid by the typical Group C household for potatoes, milk and eggs are lower. From this, however, it should not be concluded that the high-middle income households buy goods of a lower quality than the poorer households due to the fact that price differentials not only express a quality differential but also a service differential, i.e. what shop the product is bought from. In fact, a more plausible explanation of this price differential is that high-middle income consumers, in particular, tend to be more price conscious and therefore make an effort to seek for the outlet which offers the commodity they want at the lowest price, whereas poorer families are less concerned with price and often are prepared to pay a higher price for convenient location, credit facilities and the possibility of buying in as small quantities as required.

On the whole, however, most of the differential that exists in expenditure levels between the various income groups in Bogotá is accounted for by differences in the quantity of food consumed, although some smaller part of it is certainly explained by differences in the price paid due to variations in the quality of the food itself and, the service provided by the shops. As a matter of fact, if we compared the overall expenditure on these six products of the typical Group A household with that of the typical Group D household by using a Laspeyre form quantity index and a Paashe form price index, [39] we find that the typical Group D household consumes in quantity terms

approximately 132 per cent more of these six products per head than the typical Group A household and, in addition, enjoys food of a higher quality, the quality differential (including the service differential) being some 12 per cent above that of the typical Group A household. For a brief explanation of the use of these indexes and similar calculations by individual products see Table 1 in Appendix G.

It is clear, therefore, that, as consumers, households with high per capita income differ substantially from low income households; they not only consume a larger quantity of food and enjoy food of a better quality but also conform to a pattern of demand which entails a greater proportionate expenditure on 'luxurious' foods. When considered as retail customers, however, the differences between households of different income become even greater due to the budgetary constraints that their limited spending power imposes upon what they can buy and the frequency with which they can buy. Since in most households income accrues over a period, usually at regular intervals, the question of <u>how</u> limited their purchasing power is will basically depend on the absolute level of income that the members of the household secure regularly over a certain period of time. In general, however, three basic situations can be identified: (i) income is so limited that it has to be anticipated by borrowing, often from the retailer himself; (ii) income is so low and/or the period over which it is procured so short that the householder is forced to shop at very frequent intervals and in small quantities; or, (iii) income is sufficiently high so as to permit the householder to budget long-term and engage in weekly or fortnightly shopping without facing any major financial difficulty.

As shown by the figures presented in Table 68 overleaf, the fact that around 20 per cent of the families surveyed in Bogotá by CID, in December 1970, shopped every day for high calorie foods (particularly potatoes, rice and other cereals), and a further 12 per cent of families

Table 68: Frequency of Shopping by Groups of Products, Bogotá 1970

	1 day	2-6 days	1 week	2 weeks	1 month or more	Total
High calorie products						
Potatoes	20.4	11.4	40.8	13.5	13.9	100.0
Rice	21.6	12.5	41.9	13.6	10.4	100.0
Other cereals	16.3	13.7	49.3	12.9	7.8	100.0
Oil	1.7	18.8	56.1	15.3	7.9	100.0
Other processed foods	11.5	15.2	57.4	9.9	6.0	100.0
Fresh products						
Milk	97.8	1.9	0.3	-	-	100.0
Eggs	27.8	12.2	38.8	7.7	13.5	100.0
Green and other vegetables	27.6	16.1	53.4	2.6	0.3	100.0
Fruits	25.3	16.8	54.6	2.7	0.6	100.0
High protein foods						
Beef	80.0	7.6	11.4	0.6	0.4	100.0
Chicken	57.5	16.1	18.1	4.5	3.8	100.0
Fish and seafood	52.3	23.2	15.1	2.3	7.1	100.0
Pork and other meats	38.1	22.1	33.6	3.5	2.7	100.0

Source: Calculations by the author based on evidence contained in Table 47 of CID's Consumers' Survey Report.

at least twice a week, clearly indicates that around a third of the households in Bogotá are not in a position to budget long-term as wealthier families do when engaging in weekly or fortnightly shopping. The fact that many households cannot afford to buy refrigerators is a further factor in explaining the even higher frequency of shopping that is observed in relation to the purchase of the whole range of fresh foods, in particular, meat. The high proportion of families that buy foodstuffs for one week or more, on the other hand, reflects the strong preference of the consumers in Bogotá for a low frequency of shopping.[40]

Indeed, the different spending power of shoppers is an important factor in determining what retailer a shopper will buy from due to the fact that frequency of purchase is closely related to proximity. A shopper who is forced into a pattern of daily shopping, buying just enough for that particular day (and even for a particular meal), as a result of his low income and/or the unpredictable nature of his source of income, will most probably seek the nearest outlet (usually the corner-shop or the market-place), rather than the one that offers the commodity he is looking for at the lowest possible price. Moreover, the preference for the small grocery shop and the market-place by shoppers who have to shop frequently is further enhanced by other characteristics of the small shop such as the giving of credit, the selling of products in as small quantities as required and the friendly attitude of the small retailer towards his customers. By contrast, a shopper who follows a weekly pattern of shopping most probably will seek, for making his purchases, the outlet which offers most of the products he is looking for, preferably at the lowest possible price, rather than the outlet which is closest to his home, since, in relation to bulk shopping, distance does not play such an important role. As shoppers, then, households not only differ in what they buy but also in when and in what quantities and where they buy. Of course, this is not only

determined by differences in their spending power but also by differences in their family composition, their location in space, their possession of home refrigerators and cars, and other factors such as their level of education, the time they can (or want to) devote to shopping, their response to advertising and so on.

Bearing in mind that different consumers have different needs, and that each type of shop represents a particular combination of goods, price and services which is more suitable and, therefore, preferred to others by particular consumers, we will turn now to consider the link that exists between the level of income of the consumers and the type of outlet which is sought out for making the shopping. We will consider this question in terms of both the type of shop which different households seek out to make their purchases, and the proportion of the total household's expenditure which is actually captured by each type of shop.

Tables 69 and 70 indicate the use that the consumers of the different income groups make of the various types of shops. Table 69 overleaf shows the percentage of families within each band of income that, frequently or sporadically, bought at least part of their shopping during November/December 1970 in any of the shops being considered.

From this Table it can be seen that three quarters of the families in Bogotá visit the grocery shops, although they are less frequented the higher the level of income of the households. A similar picture can be observed in the case of specialist shops, although the trend with income is less marked. By contrast, the utilization of super-markets, co-operatives and home delivery increases quite rapidly as we move up the income scale. The market-place, on the other hand, is visited by two thirds of the families in Bogotá. However, it should be stressed that in spite of the low prices that characterize the market-place, the rate of utilization of this outlet is lower among the poorer

Table 69: Percentage of Families which utilize the Services of the Different Types of Shops for their Purchases, by Levels of Per capita Income, Bogotá 1970 a/

Type of Outlet	Group A	Group B	Group C	Group D	Total Yes	Total No
Grocery Shop	87.3	80.5	68.3	44.9	75.0	25.0
Specialist Shop	71.7	72.6	68.3	64.5	68.2	31.8
Market-Place	51.6	68.4	63.5	65.9	59.8	40.2
Supermarket	4.2	7.4	15.4	32.6	12.2	87.8
Co-operatives	14.6	24.7	34.6	50.0	26.4	73.6
Department Stores	5.3	2.1	10.6	0.7	3.6	96.4
Home Delivery	3.2	4.7	12.5	20.3	8.5	91.5
IDEMA's Shops	14.6	14.7	12.5	15.9	14.4	85.6
Other	2.6	-	3.8	7.3	2.9	97.1

a/ These percentages do not total 100 per cent, since families generally use more than one outlet for their purchases and, consequently, the same household appears as many times as the outlets it utilizes. But if each figure shown in the Table is subtracted from 100, the resulting figure tells us the percentage of households within each group that never visits those shops.

Source: Calculations by the author based on evidence contained in Tables 40 and 41 of CID's Consumers' Survey Report.

families than among the middle and high income ones. The evidence in relation to the utilization of co-operatives and IDEMA's shops is also revealing. Although, supposedly, these outlets should be used much more by the poorer households due to the fact that they sell at the lowest possible prices, the evidence contained in Table 69 clearly shows that a greater proportion of high income families rather than poor families utilize the services of these outlets, which, ironically, are non-profit oriented enterprises owned by wage-earners (co-operatives) or by the State (IDEMA's shops), and were created to raise the standard of living of the poorest fraction of the population. However, the relatively little use that the poorer fraction of the population makes of market-places, co-operatives and IDEMA's shops is explained, to a great extent, by the fact that shopping in these outlets involves for the majority of the population a special trip, due to the scattered location of these establishments within the city, a trip which might be worthwhile for the high income families who buy in large quantities and usually own a car, but not for the poorer families who buy in small quantities and for whom the time, trouble and expense involved in getting there and back by public transport might be too great.

In relation to the outlet at which the different groups of families make the bulk of their shopping, the same trends prevail. As can be observed in Table 70 overleaf, the demand for grocery shops increases the poorer the households are, while the contrary occurs in the case of self-services. The demand for the services of market-place sellers, on the other hand, is relatively high at all levels of income. In fact, it is used regularly by 35.3 per cent of the families in Bogotá for doing their main shopping. As before, it can be noted that a higher proportion of middle income families than low income families are attracted by this outlet, and as many as a quarter of the wealthiest families use the market-place regularly for the

Table 70: Establishments in which the Families make the Bulk of their Purchases by Groups of Income, Bogotá 1970

Type of Outlet	Group A	Group B	Group C	Group D	TOTAL
Grocery Shop	37.0	33.2	18.9	10.0	28.5
Market-Place	34.4	38.9	43.4	26.1	35.3
Co-operatives	9.1	15.3	20.7	34.6	16.6
Supermarkets	2.6	3.7	9.4	23.9	8.2
IDEMA's Shops	7.5	3.7	5.7	5.4	5.9
Department Stores	5.2	2.1	1.9	-	2.3
Specialist Shops	2.6	2.1	-	-	1.8
Home Delivery	-	-	-	-	-
Others	1.6	1.0	-	-	1.4
Total	100.0	100.0	100.0	100.0	100.0

Source: Calculations by the author based on evidence contained in Table 42 of CID's Consumers' Survey Report.

bulk of their shopping. By contrast, only 11.4 per cent of all families use the other outlets for their main shopping, the IDEMA's shops being the most important.

It is clear, then, that shoppers with different purchasing power tend to shop in different types of outlets. Over 70 per cent of the low and low-medium income households make the bulk of their shopping in grocery shops and the market-place, the grocery shop being more important among the former and the market-place being more important among the latter. The high-middle income group of families, on the other hand, show a particular preference for low price outlets, particularly market-places and co-operatives, even though 18.9 per cent of these groups of families still use the grocery shop for their main purchases. The self-services are particularly important among the high income families, the use of co-operatives being more diffused

than the use of supermarkets. However, 10 per cent of these families still use the grocery shop for their main purchases and over one quarter use the market-place. Nonetheless, it can be said that, on the whole, the grocery shops are particularly frequented by poorer families, the market-place by middle income families and the self-services by wealthy families.

From the point of view of the consumers, the reasons for going to one shop rather than another can be summarized as the locational convenience (in the case of foodstuffs, proximity to home), the quality and range of goods available, the service given and the price demanded. In addition to these factors, the attitude to several specific services offered by the shops (i.e. credit, home delivery, availability of goods, display of products, cleanliness and arrangement of the shop, the type of customers that visit the shops and others) also play an important role in determining from which retailer a customer buys. Although the fact that a customer about to make a retail purchase is neither willing nor able to seek out the shop at which he can obtain the product he wants, together with the retail services he wants, at the lowest possible price, is not disputed, his choice of retail outlet will be based at least on some of the above mentioned factors. Depending on the circumstances, some customers give more importance to location, others to price or quality of the goods, and others to service, when ranking the preferences on which they will finally base their choice of outlet.

CID's consumers survey included several questions which enquired into the reasons for customers' preferences amongst the various types of shops. In relation to twelve factors, the housekeeper was asked to state her /his most and least preferred outlets. Two observations must be made concerning their answers. Firstly, these reasons

refer to the choice of one shop in relation to other shops, i.e. factors by which consumers can discriminate between shops. Secondly, the relative importance of the different factors is heavily influenced by the socio-economic position of the consumers. Classifying the results by type of shop (see Table 71 overleaf and Appendix H), it is found that grocery shops scored high on location and service but low in price, quality and range of goods available, whereas market-places scored high on price, quality and range of goods available but low in service. This appraisal of the shops by consumers showed clearly that in the view of the consumers the grocery shop and the market-place are the most important outlets in Bogotá or, at least, the ones that consumers are more familiar with.[41] It is worth emphasizing that there is a remarkable consistency among consumers to regard the co-operatives as the second most preferred outlet in terms of all factors (see Appendix H). In fact, this second best score of the co-operative shop reflects the high acceptance it has among consumers that are familiar with it, making it the shop with greater potential for dominating Bogotá's food retailing in the future.

Although there seems to be less consensus among consumers as regards which type of shop is the best, there is a high degree of agreement in relation to the worst. The market-place is considered the worst located outlet and the one with more disadvantages as far as service in general is concerned. However, the price, quality and range of goods available are important factors in counterbalancing the bad service and explain, to a large extent, the high demand that exists among consumers of all social classes for this outlet. With regard to the grocery shop, there is also a high degree of agreement among consumers in seeing its main advantage in its location and its main disadvantages in the poor quality and range of goods available, and also in the prices demanded. However, these drawbacks are offset

Table 71: Summary of the Assessment that Consumers made of the different Types of Shops in relation to 12 Characteristics of the Shops, Bogotá 1970

Attributes or Characteristics	Best	% [a]	Worst	% [a]
1. Convenience of location	Grocery	55.4	Market-Place	56.1
2. Facility and cost of transport	Grocery	53.7	Market-Place	50.0
3. Quality of goods	Market-Place	31.0	Grocery	49.4
4. Range of the goods available	Market-Place	34.5	Grocery	59.0
5. Price of basic goods	Market-Place	28.4	Grocery	58.9
6. Service	Grocery	29.5	Market-Place	58.8
7. Credit availability	Grocery	59.8	Market-Place	65.4
8. Home Delivery	Grocery	37.8	Market-Place	74.2
9. Cleanliness and arrangement of the shop	Grocery	31.4	Market-Place	72.3
10. Display of products	Cooperatives Grocery	26.9 26.4	Market-Place	64.2
11. Type of customers who visit the shop	Grocery	30.6	Market-Place	90.4
12. Weights and measures	Grocery Market-Place	23.2 23.2	Market-Place Grocery	31.6 30.4

[a] In the calculation of these percentages the missing values were excluded.

Source: CID, Retail Establishments' Survey Report, Tables 49 to 57. (See Appendix H)

to a large extent by the high opinion that consumers have of the shopkeepers' service, the additional services they supply and, particularly, by the credit facilities they offer. The possibility of buying on credit is extremely important, especially for those shoppers who are always struggling to make both ends meet.

The strong preference that consumers have for the grocery shop and the market-place in Bogotá is indeed reflected by the proportion of consumers' expenditure which is captured by these outlets. As Table 72 overleaf shows, except for high protein foods (meats), the grocery shop and the market-place are by far the more important channels of food distribution in Bogotá. In fact, between 60 and 80 per cent of the consumers' total expenditure in perishable foods (i.e. milk, eggs, fruits, potatoes and the whole variety of green vegetables) and between 40 and 50 per cent of the consumers' total expenditure in high calorie and processed foods is captured by thousands of small grocers and market-place sellers scattered throughout the city. As regards the latter group of products, however, these two outlets have their strongest competitor in the co-operative stores, the department stores and the IDEMA's fixed and mobile shops which together capture 36.8 per cent of the consumers' total expenditure in high calorie and processed foods. In fact, this is the only line of products in which the distributive role of those three outlets is of some significance. The commercialization of high protein foods, on the other hand, is dominated by the specialist shop and particularly that of beef, the most popular type of meat consumed in Colombia. Surprisingly enough, the grocery shop is the second most important outlet for beef, but not for the other types of meat, for which the market-place and the supermarket are much more important.[42] The supermarket, on the other hand, is the only outlet which more or less manages to capture a similar fraction of

Table 72: Distribution of Total Household's Expenditure in 13 Groups of Products by Types of Shops, Bogotá 1970

Products	Counter and self-selection service			Self-service			Others			Total
	Gr-S	Mk-P	Sp-S	S-Mk	Co-op	Dp-S	IDEMA	H-Del	Others	
Milk	55.9	3.1	23.4	0.4	0.7	1.0	0.9	14.6	-	100.0
Eggs	45.1	13.3	16.3	10.1	7.7	2.9	2.4	1.7	0.5	100.0
Oil	37.6	16.6	1.8	14.8	21.1	3.4	4.4	-	0.3	100.0
Rice	32.3	15.9	1.5	11.1	25.1	4.8	7.8	-	1.5	100.0
Processed foods	31.6	14.4	1.7	10.1	26.8	5.9	6.3	-	3.2	100.0
Other cereals	28.1	15.4	1.4	16.0	23.2	5.5	8.5	-	2.0	100.0
Potatoes	30.5	45.4	3.6	7.7	7.6	2.1	2.8	-	0.2	100.0
Other vegetables	26.7	55.0	1.6	12.4	1.6	1.7	1.0	0.1	-	100.0
Fruits	17.1	63.7	1.1	12.0	3.1	1.2	1.9	-	-	100.0
Beef	13.0	6.2	70.1	5.5	3.1	1.6	0.5	-	-	100.0
Chicken	5.0	19.6	50.0	16.1	5.2	0.8	1.4	0.1	1.8	100.0
Fish	4.9	16.2	41.3	26.8	3.3	-	1.6	-	5.9	100.0
Pork	3.7	15.2	44.0	26.4	2.6	5.0	-	-	3.1	100.0
Total	28.0	21.2	21.8	9.8	10.7	2.9	3.1	1.6	0.9	100.0

Key: Gr-S: grocery shop; Mk-P: market-place; Sp-S: specialist shop; S-Mk: supermarket; Co-op: co-operative store; Dp-S: department store; IDEMA: IDEMA's fixed and mobile stores; H-Del: home delivery.

Source: CID, Consumers' Survey Report, Tables 38 and 39.

the consumers' total expenditure in all products with the exception of milk, beef and potatoes.[43] This, of course, is not surprising once the strong preference of supermarket's customers for making their shopping at the same place and in one go is taken into account.

It is clear, then, that the different types of shops that operate in Bogotá differ from each other not only because they tend to specialize in the commercialization of certain groups of products, but, more importantly, because their specialization (or non-specialization) is determined by the particular needs of the market at which they are aiming. The grocery shop (the main outlet for food in Bogotá) is devoted primarily to the commercialization of basic and high calorie foodstuffs which, as we saw, are very important in the diet of the poorer sectors of the population. The market-place is specialized in the sale of potatoes, vegetables and fruit, although it also has a significant share in the commercialization of high calorie foodstuffs and meats other than beef. Although the specialist shops are by definition specialized, their importance is to be seen mainly in the commercialization of meat for which special and relatively costly installations and equipment are required and, to a lesser extent, in the commercialization of milk and eggs. The co-operatives, department stores and IDEMA's fixed and mobile shops are devoted mainly to the commercialization of high calorie and processed foods. By contrast, the supermarket is the only shop in which the main competitive advantage lies in the non-specialization, but on the offering of the whole range of basic and luxurious types of foods demanded by the high income groups.

To a certain extent, then, the different types of shops are not in direct competition with each other, not only because they perform a different service but, more importantly, because their particular attributes only satisfy the needs of certain sections of the market

to the exclusion of others. Nearness to home, the giving of credit and the possibility of buying in as small quantities as required are attributes of the small shop which are valued highly by poor families, whereas high income families value more the saving of time that one-stop shopping and self-service entail. [44] The 'price consciousness' of middle income families, on the other hand, is reflected on their strong preference for the market-place (the outlet that offers the lower prices)in spite of the transport costs and inconvenience they are liable to incur by buying at distant shopping points. Thus far, it can be argued that, on the demand side, the survival of the more traditional, non-capitalist forms of commercialization (embodied primarily in the grocery shop and in the market-place) vis-à-vis more modern, capitalist forms (represented mainly by self-services) is determined by the needs and wants of the poorer sections of the market.

That is not to say, however, that the survival of the small retailer can be explained by the preferences of the consumers alone. In fact, no matter how strong the preferences of consumers for the specific combination of goods and services offered by a particular type of shop may be, if the retailer is to remain in business he cannot ignore firstly, that there is a limit to what consumers are prepared to pay for the goods and services they want, and beyond which they will simply not buy and, secondly, that he is in competition with other retailers who eventually will displace him from the market if he decided to charge unreasonably high prices to the consumers. [45] The individual retailer is therefore not free to charge what seems to him the necessary price level to recoup all his costs and obtain the desired profit, but has to rely on the more or less definite gross profit margins of the trade, i.e. the difference between the price at which the retailer buys and at which he sells. More

specifically, the problem confronting the retailer is, on the one hand, whether he can secure enough sales to exist on a given margin and, on the other, whether he can shape the costs of running the shop to that margin so as to leave him with the desired profit if the appropriate level of sales is achieved. Of course, there are endless possibilities to the ways in which retailers can tackle this problem. For instance, in order to maximize profits, a retailer might decide to devote extra efforts to find ways of reducing costs, or might differentiate his product even further by adding extra service so that higher prices can be charged. But whatever strategy is chosen by the retailer, the point is that he cannot overlook the definite price restrictions bearing upon him without facing the risk of bankruptcy.

In short, the important point to realize, concerning the survival of small retailers alongside larger ones, is that, although the small unit can to some extent counteract the competition by price of larger ones, by offering special services and facilities to the consumer, they cannot overrule it altogether. Firstly, there is a limit to the price differential which consumers are prepared to put up with and, secondly, it would not be long before a competitor will attempt to displace such retailers from the monopoly they enjoy. In the light of these considerations it is obvious that it cannot be argued that small retailers survive by passing their high costs to the consumers in the form of high prices. Thus, the problem facing us here is that, while the presence of thousands of very small retailers in Bogotá's food trade corroborates the fact that large units have not been able to undermine the existence of small units by price competition, it does not, however, answer the questions of why and how small retailers manage to compete successfully with larger ones, and even with very big undertakings which enjoy enormous

advantages of size.

Thus, the retailer himself and the way in which he conducts his business must be considered. We must inquire about the motives and principles that guide the economic activity of the retailer and ensure his survival in a world where business comes to an end if prices are not fixed so that they cover at least the costs of running the business, and where for an exchange to take place prices must not be too low for the seller (or he will not cover his costs), and not too high for the buyer (or the retailer may find no buyer for the products he is trying to sell). In an attempt to answer these questions, then, the rest of this Chapter will be devoted to a detailed examination of the operating costs of retailing and the ways in which, and the success with which, different types of retailers balance their costs against revenue in the context of their accounts. The reconstruction of the retailers' accounts will allow us to show that the under-valuation of labour costs which arises from the non-capitalist conception of 'business' and 'business profitability', is the main factor in explaining (i) why thousands of non-capitalist retailers in Bogotá manage to compete so successfully with large, capitalist undertakings and, (ii) why the capitalist sector effectively benefits from the existence of a non-capitalist counterpart in the supply of food retailing services.

The empirical evidence for this analysis is taken primarily from CID's Retail Establishments Survey which included samples of each of the different types of retail outlets that operate in Bogotá, i.e. grocery shops, specialist shops, market-place sellers, supermarkets and co-operatives. Although CID's Retail Establishments Survey is not based upon samples wide enough to be truly representative of the universe of food outlets in Bogotá (unlike CID's Consumers Survey), the evidence collected by this survey provides us with a reliable

guide to ascertain how cost and profitability levels vary among the different types of outlets engaged in food retail distribution in Bogotá. However, it must be emphasized from the outset that the representativeness of the results arrived at on supermarkets should be interpreted with some caution, since two stores belonging to Bogotá's largest chain of supermarkets, which were originally included in the sample, refused to participate in the survey. A detailed description of the samples and the main methodological aspects of the survey is contained in Appendix F.

Since the notion of the individual retailer's accounts underlies most of the analysis that follows, it might prove instructive to start our examination of the supply side of retailing by drawing up a set of such accounts. The data used in the illustration of these accounts is provided by DANE's 1967 Trade Survey and refers to Bogotá's average food retailing establishment. The first account, presented below, is the Trading Account for 1967 of Bogotá's average food retailing establishment.

	$	$	%	%
Sales		133.690		100.0
Cost of goods sold:				
Initial stock plus	8.312		6.2	
Purchase of goods for resale	109.614		82.0	
	117.926		88.2	
Less Final stock	9.557		7.1	
Total		108.369		81.1
Gross Profit		25.321		18.9

Source: Based on evidence contained in DANE's Muestra de Comercio Interior, 1967, Bogotá, 1970. p.47

Thus, in 1967, the gross profit (that is, the difference between the value of sales and the cost of goods sold, allowing for changes between the initial and final stocks) of the average food retailer

in Bogotá was Col. $25.321 and the ratio of the gross profit to the sales (i.e. the trader's gross margin) was 18.9 per cent. The trader's gross margin, then, is basically determined by the prices at which he buys and sells. This gross profit is carried to the Profit and Loss Account:[46]

	$	$	%	%
Gross Profit brought down		25.321		18.9
Operating costs:				
Wages	5.058		3.8	
Social benefits	875		0.6	
Rent and rates a/	4.011		3.0	
Selling expenses b/	1.337		1.0	
Other expenses b/	1.337		1.0	
Total		12.618		9.4
Net Profit before Tax		12.703		9.5

a/ Estimated value assuming that it represents 3 per cent of sales.

b/ Estimated value assuming that it represents 1 per cent of sales.

Source: Based on evidence contained in DANE's Muestra de Comercio Interior, 1967, Bogotá, 1970, p.47.

To arrive at a Net Profit figure, taxes must be subtracted and, where applicable, also the amount of dividends paid. The profitability of the business, on the other hand, is given by the ratio of profits to total capital, total capital comprising fixed assets, stock, debts from customers and the cash in possession of the retailers. Thus, if the capital of the average retailer in Bogotá amounted to, let us say, one fifth of his total sales (26.738 pesos) in 1967, the rate of return on capital in the average food retail business would have been 47.5 per cent

With regard to this particular example, however, it must be pointed out that the labour costs recorded in the profit and loss account only account for the cost of wage-labour, but not for the labour provided by working proprietors and other unpaid family workers.

More precisely, this means that for each worker whose labour has been accounted for in the calculation of the net profit, there are 1.7 workers whose labour was not accounted for in those calculations.

Having introduced some of the terminology of retailing accounts, and bearing in mind that the main objective of the analysis that follows is to explain why and how thousands of small, non-capitalist retailers manage to survive in spite of the disadvantageous position in which the small size of their operations places them, both as buyers and sellers vis-à-vis their large-scale competitors, we shall start our analysis by examining each of the cost elements that are associated with food retailing. The question with which we shall be mainly concerned when measuring the retailer's costs is why the costs incurred by one retailer may differ from those incurred by another.

Cost of goods sold

The cost of goods sold is by far the most important cost for any retailer and it invariably exceeds all other costs added together. In fact, the cost of goods sold is perhaps the most important determinant of cost differences among retailers, in so far as this cost varies with the quantity bought per period by the retailer: the larger the quantity, the lower the unit cost. The difference in unit cost faced by different retailers for the same product is largely explained by the different treatment a supplier can give to different retailers, through his structure of discounts and his willingness to sell on credit.

In the example of the trader's account presented above we saw that, in 1967, the ratio of the gross profit to the sales (known as the gross margin) of the average food retailer in Bogotá was 18.9 per cent. That is to say, the cost of goods sold amounted to 81.1 per cent of their selling value. Assuming that the retailer's

selling price remains unchanged and that the cost of goods is 81.1 per cent of their selling value, a discount of 5 per cent off that 81.1 per cent would result in a 20.9 per cent increase in the total gross margin out of which a retailer must pay wages and all other expenses before obtaining his profit. Conversely, if he has to pay 5 per cent more for the goods he intends to resell, his gross margin will fall by 26.5 per cent. Since the cost of goods sold is far greater than all other costs put together, any discount which the retailer is able to get from his suppliers will result in a substantial improvement of the retailer's competitive position vis-à-vis his competitors (he can sell at a lower price) and/or in higher profits. It is not surprising, therefore, to find that retailers place great importance on the buying function although, obviously, the success of the retailer in obtaining discounts will depend on the bargaining strength that he, as an individual purchaser, has vis-à-vis his suppliers.

Discounts are, then, the form by which manufacturers discriminate between different buyers. The possibility of discrimination arises from the fact that the manufacturer is selling above his price of production or marginal cost.[47] For any manufacturer in such a position it is worthwhile to offer a lower price to individual buyers if he can do so without having to reduce his 'normal' price for all of them, and if the extra quantity bought by that buyer is proportionately greater than the price reduction he is making (i.e. elasticity of demand greater than unity). Moreover, by providing a discount structure of some sort, the manufacturer gets further benefits in so far as he (1) encourages buyers to buy from him rather than from a competitor, (2) encourages the retailer to add to his stock assortment any other commodities that he produces for the purpose of calculating quantity terms, (3) is able to plan production ahead, especially when the retailer commits himself to buying certain minimum quantities over

a period of time and, (4) is able to lower his handling and delivering costs which large transactions bring about.

The discounts offered by manufacturers are of several kinds. Most manufacturers offer quantity discounts, discounts for the prompt settling of accounts (cash or settlement discounts), and other discounts or special treatment for facilities offered in return by retailers to manufacturers. Quantity discounts are usually linked to a stepped discount structure, with increasingly large percentage discounts off the 'normal' price (i.e. the price for the smallest quantity) for increasingly large minimum quantities, giving more incentives to large buyers than to small ones. This discount might be based on the size of one particular purchase or on the quantity of the purchase over a certain period. In addition, the discount layers might or might not be tied to the purchase of other commodities supplied by the same manufacturer, with the purpose of forcing retailers to buy certain commodities not urgently needed in order to take advantage of the discount. In any case, the decision of the retailer is reached after balancing the advantages of taking a quantity discount against the extra cost involved in departing from what would otherwise be the optimum quantity order. [48]

Cash or settlement discounts are calculated by reference to the net price arrived at after deducting quantity and other discounts. Discounts can be obtained for prompt payment (within 7 or 14 days after delivery or whatever other arrangement that might be reached between the two parties) or for assurance of payment within the stipulated period. If the retailer pays promptly, he needs to see that he is rewarded by discounts which recoup the loss he incurs when he finances his stock himself instead of letting his suppliers do it. Of course, this also benefits the retailer's goodwill with

the suppliers for further negotiations in the future. In addition to these discounts, manufacturers sometimes give further discounts for ordering at certain times of the year (though this is not so important in the food trade as in other trades) or for buying unusually large quantities, in order to cover the retailer's risk of overstocking if the product is not sold quickly (i.e. spirits at Christmas).

Retailers might get further discounts or special favours from the suppliers by allowing manufacturers research in their shops, by providing space for demonstrations on their premises or by receiving empty bottles or coupons. In turn, manufacturers provide other facilities to retailers such as delivering in small quantities in order to help them cope with poor storage facilities and keep the retailer's own handling costs low. Advantage of this facility is taken by retailers, especially in the case of highly perishable foods such as milk, meat, vegetables, and other products which are bought almost daily by the consumers.

The terms on which manufacturers sell to particular retailers are usually highly confidential, and consequently little information is available on the scale of buying economies. [49] Large retailers, however, should be expected to obtain even better terms than specified in manufacturers' quantity discount schedules, a factor which can be explained in terms of their bargaining power. The strength of the retailer's bargaining power is determined by the turnover he can offer a particular supplier for his good or goods, by the storage capacity he has and, to a lesser extent, by the freedom he has not to buy or to withhold large orders from that supplier. [50] Since all these factors are closely related to size, it is obvious that large retailers are in a better position to take advantage of these discounts

and, indeed, to negotiate the best discounts. Finally, it is worth mentioning that the outlets which buy in larger quantities also enjoy substantial economies of scale in the procurement and holding of stocks. In other words, purchases are related to sales in such a way that both the average and marginal costs of procuring and holding stocks are constantly decreasing as size increases. [51]

Table 73 overleaf, shows the average size and frequency of purchase of different retailers for 14 basic products. The figures show that, in the case of manufactured goods, the average size of purchase of self-services is far larger than that of other outlets, whereas in the case of highly perishable goods, such as milk and chicken, the specialist shops are the ones with larger orders. The fact that the outlets that buy in larger quantities also tend to buy more frequently make them even more important from the suppliers' point of view. It is not surprising, therefore, to find that large retailers, represented mainly by self-services and certain specialist shops, get preferential treatment from manufacturers when placing their orders. The average grocery shop or the seller in the market-place, on the other hand, are not in a position to bargain with their suppliers due to the small size of their purchases.

It is possible, however, for a manufacturer to discriminate openly between different types of customer. Wholesalers, for instance, usually qualify for better terms than those available to large self-services buying the same quantities. By doing this, manufacturers are protecting the wholesaler/small independent combination against large shops which are in a more advantageous position as far as costs and methods of organization are concerned. After all, manufacturers are primarily interested in the production and quick distribution of their products rather than on the type of

Table 73: Average Size of Order and Frequency of Purchase of 14 Basic Products by Type of Outlet, Bogotá 1970

Product	Market-Place		Grocery		Specialist		Self-service [a]	
	Quantum	(days)	Quantum	(days)	Quantum	(days)	Quantum	(days)
Chocolate (kg)	108.0	15	110.5	41	354.4	24	1874.8	21
Coffee (kg)	44.9	10	145.5	19	95.5	16	1034.1	19
Fat (lb)	56.5	26	187.2	29	192.8	21	1330.8	25
Oil (bottle)	38.6	13	49.1	18	92.7	25	504.8	17
Oil (gallon)	10.0	30	49.5	40	29.8	58	388.3	21
Sugar (kg)	117.0	7	533.1	21	413.9	17	2228.0	15
Panela (1 unit)	252.0	7	210.6	24	855.9	19	3649.8	18
Pasta (lb)	159.7	27	210.9	21	272.5	39	1607.7	22
Rice (kg)	449.9	11	247.1	24	1029.5	25	4442.7	21
Corn (kg)	175.1	22	128.9	26	754.5	22	1658.1	22
Potatoes (kg)	792.7	10	158.3	13	333.3	5	239.0	5
Eggs (1 unit)	925.0	7	703.8	12	1042.7	5	1561.5	8
Milk (bottle)	-	-	488.6	1	588.5	1	30.0	1
Chicken (1 unit)	-	-	-	-	240.0	2	40.0	6

a/ These figures are underestimated since they do not include the largest chain of supermarkets in Bogotá (CARULLA S.A.) whose frequency of purchase of basic products is 8 days - for some products even less - and the quantities bought always correspond to the maximum discount that suppliers offer for breaking bulk. CARULLA is the most important single customer for most food manufacturers in Colombia, especially in the case of luxurious types of foods. (Author's interview with CARULLA).

Source: Extracted from CID's Retail Establishments' Survey Report, Table 23 (pp.40-49).

outlet through which they reach the consumer. From the producer's point of view, the wholesaler is the key element through which thousands of small outlets can be reached; outlets which, despite their size, move large quantities of goods, and constitute the main distribution channel for basic foodstuffs in Bogotá.

The special treatment given by producers to wholesalers means that the former are prepared to sacrifice some profits in order to protect the small retailer against buying products at prices that would make it impossible for him to stock them in his shop. The reason why manufacturers are willing to protect the small retailer against paying extremely high prices for their goods and, hence, pricing them out of the market is two-fold. In the first place, consumers' insistence that certain goods be stocked is less marked among low income customers than among middle and high income ones, especially if the goods in question do not belong to the 'basic' type of foods, it.e. tomato ketchup. In the second place, it is much easier for small retailers, than for large ones, to replace branded goods for similar but lower quality goods, especially if they can be offered at a much lower price, i.e. white sugar for brown sugar, branded soaps for cheap un-branded soaps, and so on. In fact, large manufacturers of branded goods can easily be displaced by small manufacturers who cannot enter the market of the medium and high income groups,but who are always prepared to cut prices to enter the market of the low income groups.

Table 74 overleaf gives details of the average prices paid by the different types of retailers in Bogotá for 12 basic products. The average price paid by wholesalers for the goods, the price at which they sell and the gross margin obtained in the transaction are also included in this Table for purposes of comparison.

Table 74: Retailer's Average Purchasing Prices of 12 Basic Products and Wholesaler's Average Purchasing Prices, Selling Prices and Gross Margins, Bogotá 1970

	Market-Place (pesos)	Grocery & Specialist (pesos)	Super-markets (pesos)	Co-op-eratives (pesos)	Wholesalers		
					Purchasing Price (pesos)	Selling Price (pesos)	Gross Margin[a] (per cent)
Chocolate (lb)	4.80	4.82	4.79	4.79	n.a.	n.a.	-
Coffee (kg)	12.30	12.17	12.34	12.34	n.a.	n.a.	-
Fat (kg)	7.74	7.65	7.54	7.54	n.a.	n.a.	-
Oil (bottle)	11.95	11.44	11.07	11.07	n.a.	n.a.	-
Oil (gallon)	37.50	37.00	36.81	36.81	35.15	37.00	5.0
Sugar (kg)	2.40	2.36	2.19	2.19	2.29	2.35	2.6
Panela (2 units)	2.62	2.69	2.68	2.70	2.49	2.72	8.5
Pasta (lb)	3.16	2.93	3.00	3.00	2.76	2.93	5.8
Rice (kg)	3.89	3.86	3.76	3.80	3.71	3.82	2.9
Corn (kg)	2.20	2.00	2.33	2.23	1.91	2.04	6.4
Potatoes (kg)	1.52	1.41	1.40	1.40	1.21	1.40	13.6
Eggs (1 unit)	0.65	0.77	0.65	0.68	0.71	0.77	7.8

a/ The percentage in this column represents the gross margin of wholesaler per unit of product. It was calculated in the following way:

$$\frac{\text{Selling Price} - \text{Purchasing Price}}{\text{Selling Price}} \times 100$$

Source: Table 42 of CID's Retail Establishments' Survey Report and Table 38 of CID's Wholesalers' Survey Report: Volume V of CID, Estudio de Consumidores y Distribución Urbana de Víveres en Bogotá, Universidad de Colombia, Bogotá, 1971.

The evidence contained in this Table clearly indicates that the prices paid by retailers for the products they intend to resell are significantly related to their bargaining strength, especially in the case of manufactured ones. From this Table it can also be seen that, in general, manufacturers tend to discriminate between self-services and wholesalers,but not among the self-services themselves. In fact, there is a striking similarity between the price paid on average by co-operatives and supermarkets. Although the data for grocery and specialist shops is not disaggregated in this Table, it can be observed that the prices paid by grocery and specialist shops taken together bear a close resemblance to the selling prices of wholesalers. Nonetheless, it seems reasonable to assume that the prices paid by grocery shops are somewhat higher than those paid by specialist shops, but slightly lower than those paid by sellers in public markets, since the price paid by different retailers for the products they intend to resell is inversely related to the size of their purchases over a period of time.

In retail trade, the suppliers are also important providers of finance. The contribution of the suppliers is straightforward. They supply goods on credit, which is often extended over a period running into several weeks. When giving credit to their customers, suppliers are lending a proportion of the value of their stocks to retailers. This is a service given along with the goods, although suppliers try to minimize the cost they incur when giving credit by offering attractive settlement discounts which are sometimes taken up by customers. From the lender's point of view, the costs of credit are three-fold: interest on the money advanced, the risk of bad debts and the cost of administration. When giving long-term credit the supplier will make sure that the cost of interest is covered by an extra charge, but not necessarily so when giving

short-term credit, due to the 'extra' trade that results from credit facilities being offered.[52] Here again, the last determinant of whether or not credit is granted is the bargaining power of the retailer vis-à-vis his suppliers. When dealing with very small retailers, suppliers avoid this cost by either demanding cash payment or by ensuring that the terms of the credit cover the risks of delay in payment and/or of bad debts, i.e. they charge a higher price per unit of product. This obviously means that while small retailers are more likely to be bearing the full cost of financing stocks, large retailers are avoiding a large part of this cost by transferring it to their creditors. The different ability of retailers in obtaining credit from suppliers for 12 basic products can be observed in Table 75 below:

Table 75: Credit as Percentage of Purchases: 12 Basic Products, Bogotá 1970

Product	Grocery Shops (%)	Market-Place Grocers a/ (%)	Specialist Shops (%)	Self-service Shops b/ (%)	All Shops (%)
Chocolate	6.3	30.9	8.7	35.0	28.4
Coffee	1.4	5.6	60.9	37.1	33.7
Fat	0.5	0.0	0.0	17.8	10.0
Oil (bottle)	0.0	11.8	12.2	18.2	13.8
Oil (gallon)	14.6	0.0	52.0	13.4	19.4
Sugar	0.0	2.5	13.3	11.8	8.9
Panela	0.0	33.3	27.0	20.0	21.3
Pasta	0.9	42.4	14.2	10.1	11.0
Rice	1.2	10.7	52.7	24.9	33.4
Corn	15.0	21.4	50.4	4.6	28.4
Potatoes	0.0	33.6	50.0	0.0	7.7
Eggs	0.0	12.1	48.8	6.2	27.0
Total	4.9	22.1	33.9	23.3	24.5

a/ This data only refers to the grocers in market-places.

b/ The figures on self-service shops' credit are largely underestimated due to the exclusion of Bogotá's largest chain of supermarkets from the sample of CID's survey. In fact, it is important to note that every single product of the 6.500 products in which CARULLA S.A. commercializes is bought on credit and payments are under no circumstances made before at least eight days have elapsed.

Source: Calculations by the author based on evidence contained in Tables 23 and 28 of CID's Retail Establishments' Survey Report.

However, as can be seen in Table 76 below, grocers not only get less credit from suppliers but also fewer days to pay it back. This, added to the fact that the rate of stockturn (the rate of turnover to end-year stocks) of the small retailer is much lower than that of large retailers, [53] means that in reality small retailers will often have to pay back their debts before having sold the whole amount bought on credit, whereas large retailers will most probably sell the goods before having to pay for them. In short, the relative cost for the retailer of financing stocks will be lower as size increases because of the positive relationship that exists between size and (i) the portion of the stocks financed by suppliers, (ii) length of credit and (iii) the rate of stockturn.

Table 76: Credit Purchases by Type of Retailer, Bogotá 1970

Type of business	% of outlets with credit purchases	Credit purchases as % of total purchases	Length of credit, in days
Grocery Shop	13.5	7.7	18
Specialist Shop	25.4	22.9	18
Market-Place Sellers	28.9	24.9	11
Self-service Shop	41.7	27.8 a/	30

a/ This figure is largely underestimated since it does not include the credit transactions of Bogotá's largest chain of supermarkets. See note b in Table 75.

Source: Calculations by the author based on evidence contained in Tables 23, 28 and 41 of CID's Retail Establishments' Survey Report.

Credit from suppliers, however, is only one of the many ways in which retailers finance their operations. As can be seen in Table 77 overleaf., bank loans and overdrafts, post-dated cheques, personal savings and loans from relatives and friends also play an important role as sources of finance, though the extent to which they are used varies in the case of different types of retailers. Large retailers, for instance, use their suppliers and short-term loans from financial

institutions to finance the purchase of goods, improvements to the shop and the credit they give to customers; loans which are paid back as the equipment or goods purchased pay their way. It must be remembered that in retailing the purchase of goods or the improvement of the shop can be carried out little by little and, therefore, financed with short-term loans rather than with substantial outlays of capital.

Table 77: Sources of Finance and Use of Liabilities in Retailing, Bogotá 1970

Main Source of Finance	% of grocers	% of sellers in market-places	% of self-services [a]
None	18.9	10.7	4.1
Suppliers	12.6	14.6	29.1
Bank loans and overdrafts	17.0	13.6	58.3
Post-dated cheques	11.0	6.8	8.5
Personal savings	16.4	17.4	-
Loans of relatives and friends	20.2	34.0	-
Others	3.9	2.9	-
Total	100.0	100.0	100.0
Use of Liabilities			
Purchase of goods (stocks)	72.7	47.8	65.4
Improvement of the shop	19.8	14.6	11.5
To give credit to customers	3.0	18.8	15.4
Other purposes	4.5	18.8	7.7
Total	100.0	100.0	100.0

a/ The exclusion of Bogotá's largest chain of supermarkets from these figures accounts for the underestimation of the credit of suppliers as a source of finance for self-services.

Source: CID, Retail Establishments' Survey Report, Table 27 and 28.

The financial sources of the small retailer, on the other hand, are very different. Denied credit by suppliers and loans by financial institutions, a large proportion of small retailers finance their operations with their own savings, with loans from friends and relatives or, in the absence of these, without any source of finance. As shown in the above Table, 55.5 per cent of the grocers and 62.1 per cent of the market-place sellers in Bogotá rely on the availability

(or non-availability) of personal resources as a means of financing their short-term operations.

In any case, the important point to realize is that the larger the retailer the lower the proportion of capital that needs to be provided for buying goods, since an increasingly larger proportion of the stocks will be financed by the credit of suppliers.[54] By contrast, small retailers are granted little credit by suppliers and thus forced to pay cash for most of their purchases. In fact, it could be argued that by paying in cash for most of their purchases, small retailers are actually helping to finance the credit extended by productive capital to large retailers. In this respect, it is important to remember that, in Colombia, the small outlets have a much larger share of the market than that of their larger counterparts. In addition, small retailers can be seen as helping indirectly to increase the production of surplus-value by industrial capital, in so far as purchasing on a cash basis contributes toward shortening the time of circulation of productive capital - a time during which capital is not producing at all.

Thus far we have examined the various factors that influence the purchase cost of each unit of a product bought by a retailer. We have seen that the unit costs of the commodities bought by retailers diminish as the total volume of purchases increases due to the consequent strengthening of the retailer's bargaining power vis-à-vis his suppliers. We now need to consider other costs which directly depend upon and vary, although perhaps not exactly in proportion, with total sales. The most important of these are the cost of the service provided by retailers to customers, the occupancy costs and the cost of labour.

Cost of retail services

The cost to the retailer of the service provided along with the

goods sold varies among retailers since different types of retailers offer different combinations of price and services. The cost of packing and wrapping, for instance, has become less important in the food retailing industry as the amount of pre-packing by manufacturers has increased. Nonetheless, the actual cost to the retailer depends upon several factors such as the method and materials used, the price of the products that are being packed and the labour time that is devoted to such operations. The provision of good quality sales staff and the range of stock also have a cost, although their measurement can be very difficult.

In addition to these and similar services there are other services offered by retailers to customers at no charge which clearly constitute 'extra' facilities in the sense that retailing can be, and often is, carried out without them. The most important of these are the provision of credit facilities, the offering of a free home delivery service and the opening of long hours. However, the provision of these services is more a characteristic of small than large retailers: the latter have chosen to appeal to customers through low price/minimum service combinations which, in fact, have led to the replacement of counter-service by self-service, the elimination or withholding of home delivery and credit facilities to a minimum, the establishment of uniform hours of business and inventions such as the push-car or the check-out. By offering 'extra' facilities small retailers, on the other hand, not only appeal to customers that demand (and are prepared to pay higher prices for) those services, but also differentiate the 'product' they offer from that offered by larger competitors. This, of course, is reinforced by the convenient location of the small shop. Table 78 overleaf illustrates the extent to which these services are provided by different kinds of retailers in Bogotá.

Table 78: Credit, Home Delivery and Opening Hours in Retailing, Bogotá 1970

Service	Grocery Shops	Specialist Shops	Market Place	Super-markets	Co-op-eratives
Credit					
% of shops that provide credit facilities	44.7	38.1	25.9	25.0	29.4
% of credit sales in shops that provide credit facilities	17.0	6.7	8.4	1.2	4.8
Average repayment period (in days)	20	20	15	30	30
Credit sales as % of total sales in the sector	7.4	2.7	2.2	0.3	1.4
Opening Hours					
Average number of business hours per day	13	11	9 a/	11	8
Average number of business days per week	7	6-7	7	6-7	6
Number of hours worked per week by the average worker b/	76	61.3	68	48	43.5
Home Delivery					
% of shops that provide free delivery home service	15.8	7.9	4.0	25.0	23.5

a/ The time devoted every day by market-place sellers to purchasing goods is not included in this figure.

b/ In Colombia, the working week is 48 hours for manual workers and 40 hours for non-manual workers.

Source: Calculations by the author based on evidence contained in Tables 17, 36 and 46 of CID's Retail Establishments' Survey Report.

In principle, the cost to the retailer of offering these services is measurable and increases with each extra quantum of service offered, although the consequent increase in sales may lower unit costs. The credit provided to customers in the food trade is usually short-term credit at no charge and often involves an agreement to let the customer pay each week, fortnight or month. Although the retailer might recover the cost of providing free credit by attracting customers that otherwise would not have come to the shop (customers who want credit will usually go where they can get it), the cost to the retailer is either the rate of interest he pays on borrowed money or, if he finances the credit himself, the opportunity cost of the money tied up in this way. In addition there is the risk of bad debts and the cost of administration. In relation to home delivery, the actual cost to the retailer depends upon the method used (motor vehicle or bicycle) and on the opportunity cost of the labour involved in providing the service which, in turn, depends on whether it is done by sales assistants or delivery personnel especially engaged for that purpose and on whether it is done during slack or peak periods. Finally, the cost incurred by the retailer when he decides to stay open for longer hours can be quite substantial in terms of overtime rates. The estimated costs to the average retailer of offering these services, expressed both in absolute terms and as a percentage of sales, are presented in Table 79 overleaf.

As can be observed from this Table, the relative cost of offering these services is much higher for the grocery shop and the sellers in market-places than for the other types of outlets. This, of course, is explained to a large extent by the fact that the total sales of the average grocer or market-place seller are quite small. However, the long hours worked per week by the average worker in grocery shops and market-places contributes significantly to the

Table 79: Estimated Monthly Cost to the Average Retailer of Giving Credit, Offering Home Delivery Service and Opening Long Hours, Bogotá 1970

Type of Business	Average Sales per establishment (pesos)	Cost of Credit (pesos)	(as % of sales)	Cost of Home Delivery (pesos)	(as % of sales)	Cost of labour overtime (pesos)	(as % of sales)	Total cost of services offered (pesos)	(as % of sales)
Grocery Shop	15.190	11.2	0.07	35.4	0.23	90.3	0.59	136.9	0.90
Specialist Shop	40.758	10.4	0.03	17.8	0.04	74.3	0.18	102.5	0.25
Market-Place a/	9.485	1.6	0.02	-	-	55.9	0.59	57.5	0.61
Supermarkets b/	281.300	12.7	0.01	112.2	0.04	-	-	124.9	0.05
Co-operatives	1.077.300	226.2	0.02	105.6	0.01	-	-	331.8	0.03

a/ Does not include mobile sellers.

b/ Does not include Bogotá's largest chain of supermarkets.

Source: Calculations by the author based on evidence contained in Tables 46, 47 and 48 of CID's Retail Establishments' Survey Report.

cost of services offered by retailers. The self-services, on the other hand, tend to operate more on the basis of shift work although, probably, those in charge of stocks and management work long hours. However, it must be noted that retailers, especially large ones, may be forced to incur unnecessary costs due to competition. An example of this is provided by the recent tendency among Bogotá's large self-services towards lengthening the hours of business as a response to the initiative of one competitor attempting to expand its share of the market. The end result of this practice, however, could be an increase in the costs of all retailers without a corresponding benefit in terms of increased sales.

Occupancy costs

We turn now to an examination of the rent paid by retailers for their premises, the most important of the 'occupancy costs' of retailing. Occupancy costs include also the cost of supplying the shop with water, electricity and gas, as well as the depreciation cost of the assets with which the shop is equipped. In the context of the present analysis, however, we will not consider these other costs due to lack of empirical evidence.

The premises occupied by shops are usually measured in terms of selling area and their cost in terms of rent. Whether or not the retailer owns the premises and the land on which they are built is of no relevance in the calculation of this cost. The retailer will pay a rent if the premises are not owned by him or, alternatively, he will make an imputed charge reflecting the cost of the money that would be required to acquire the premises that he already owns. But, whatever the basis of ownership, "the rent paid (or imputed) by the retailer should be at least as great as that needed to give the landlord an acceptable return on the building costs plus the alternative use of the land". [55] Of course, retailers are indeed willing to

pay higher rents if they believe that the value of their sales will be higher in central locations for which greater demand exists. However, a retailer would not be prepared to pay a rent higher than that which is consistent with the rate of return on capital that he expects to obtain from his operations or, in other words, with the level of sales per square metre most likely to be achieved under his schedule.

The most usual method of turning rents into comparable form is to express them per square unit of area, i.e. metre or foot. Most of the variations in rent levels per square metre are due, obviously, to variations in the size of the shop and the value of land in different locations, rather than in the cost of the building. Although rent per square metre increases with size of shop, particularly when frontage increases, the trend is reversed once a certain size is reached, due both to the drop of the ratio of frontage to area and of the demand for larger premises. However, what matters most in the determination of rent levels and in the willingness of retailers to pay those rents is the location of the shop. A shop with a frontage onto a busy shopping street or located in a shopping centre will command a much higher rent than a shop of the same area and type located in a less busy shopping street, not to speak of a similar one located in a back street, due to the beneficial effects that a good location has on sales. Paradoxically, there are many instances in which retailers actually reduce costs by choosing better located though, seemingly, very expensive premises for their businesses. As far as the retailer is concerned, however, if the payment of a higher rent per square metre due to favourable location reduces rent as a percentage of sales, a reduction in the cost of rent will have been achieved.

The rent that the retailer will be paying over a period of time

is normally fixed - at least for a period of one year. However, what matters to the retailer is not the absolute value of the rent but its relative value as a percentage of sales. For him, the level of rent varies in inverse proportion to the level of sales, i.e. this cost falls per unit of sales as sales per annum increase. This is also true for the other occupancy costs of retailing. The evidence on the monthly cost of premises for Bogotá is contained in Table 80 below.

Table 80: Physical Size and Cost of Premises in Food Retailing, Bogotá 1970

Type of Business	Average Selling Area (m^2)	Average Monthly Rent (pesos)	Average Monthly Rent per sq.metre (pesos)	Average Sales per Establish-ment (pesos)	Average Cost of premises as a % of sales (%)
Market-Place a/	11.5	265	23.00	9,485	2.79
Grocery Shop	25.3	637	25.20	15,190	4.19
Specialist Shop	33.1	1,407	42.50	40,758	3.45
Supermarket b/	635.0	9,525	15.00	281,300	3.39
Co-operative	1,167.0	15,556	13.33	1,077,300	1.44

a/ Does not include mobile sellers.

b/ Does not include Bogotá's largest chain of supermarkets.

Source: Calculation by the author based on evidence obtained in Tables 16 and 29 to 34 of CID's Retail Establishments' Survey Report.

As can be observed from this Table, the average selling area associated with different types of retail businesses varies considerably. The selling area of the average stallholder in the market-place is less than half of that occupied by the average grocery shop, whereas the latter has a selling area 40 times smaller than that occupied by the average self-service (1012 m^2). Although the average monthly rent increases with the size of the premises, the average level of rent per square metre increases with size up to a certain

point and falls thereafter. Location in busy shopping streets and centres where the price of sites is highest largely explains the high level of rent per square metre paid by the average specialist shop. However, the most important feature of rent levels associated with Bogotá's food retailing sector is the tendency for the cost of rent as a percentage of sales to fall as the size of establishments increases. As can be observed in Table 80, the average cost of the premises rented by different types of outlets varies from 1.4 per cent to 4.2 per cent of sales, the average grocery shop having to pay three times more in terms of sales than the average co-operative store and, probably, than the average supermarket once Bogota's largest supermarkets are included in the sample. The sellers in market-places, however, pay a relatively low level of rent in terms of sales due to the low quality of the premises in which they operate, i.e. stalls rather than shops.

Labour Costs

In retailing labour is used in a wide range of activities, some of which vary far more closely than others with the level of sales of the establishment. The jobs to be done include the buying and handling of stocks, pricing and price-marking, the handling of accounts, processing, stocking shelves or counters, selling, fetching and carrying, packing and wrapping, cleaning and many other tasks peculiar to the trade, although the emphasis that different retailers put on these tasks differs and is constantly changing. The amount of labour required by each individual establishment to perform these tasks will, of course, depend on the type and size of operations of the enterprise, on the possibilities of achieving economies of scale in the use of labour through the introduction of adequate specialization so that full use can be made of each individual's time and capacities, on whether the retailer chooses to do more or less of the work of

processing, packing, storing or carrying vis-à-vis his suppliers and, finally, on whether he chooses to offer the commodities he sells with a greater or smaller amount of service added in the form of selecting, fetching, carrying, and so on, vis-à-vis his customers. As for the optimum number of staff that should be engaged in a shop, McClelland, for instance, has suggested that which "balances the profit on extra sales against the cost of extra staff". [56]

For the purposes of calculating labour costs, however, labour input is usually measured in terms of the number of man-hours worked and its price in terms of wage-rates. In retailing, hours of work and hours of trading are related to though are distinct from each other since work has to be done before and after opening hours. Moreover, the number of hours worked by sales personnel refers to the number of hours available for serving customers rather than to the hours devoted to serving them. This is because in retailing, as distinct from manufacturing, most of the work cannot proceed at a regular pace determined by the capacity of the work force and plant, but at a pace which is dependent and established by the customers. This, however, does not mean that when not serving customers workers remain idle, since most of the gaps between customers are more or less filled by the performance of other jobs such as checking stocks, placing orders, cleaning and other tasks which have to be done in the shop anyway.

The price of labour, on the other hand, is determined in the context of the labour market and varies depending on the interaction of the demand for, and supply of, labour for particular occupations. Relatively to other sectors of the economy, the price of labour in the distributive trades, and especially in retailing, is quite low, since the bulk of the demand for labour is mostly directed at filling jobs which are relatively unskilled and usually can be done tolerably

well with little training or experience. This, in fact, explains why there is a large and varied labour supply to retailing (as reflected by the high participation of women, the young and the old) and why in both developed and underdeveloped economies the wage-rates paid to the great bulk of the distribution work force tend to be well below average and rather close to the supply price of labour. [57]

When measuring labour costs, however, it is important to bear in mind that the labour costs of businesses do not arise from the fact that labour is being rewarded but from the expenditure of labour itself in the course of the work process. [58] An important corollary that follows from this basic postulate of classical and neo-classical economics is that neither the purchase of labour in the market, nor the payment of wages, should be viewed as preconditions for the existence of labour costs. In particular, we are thinking here of labour costs originating from the employment of working proprietors and family workers whose labour is neither purchased in the market nor remunerated in the form of wages.

In effect, as Table 81 overleaf shows, with the exception of self-services, the average food retail establishment in Bogotá does not operate exclusively on the basis of wage-labour. More precisely, the proportion of wage-earners to total employment decreases quite rapidly from 100 per cent in supermarkets and co-operatives (working proprietors pay themselves a wage for their labour) to 66.7 per cent in specialist shops, 26.7 per cent in grocery shops, 4.3 per cent in stalls in market-places and zero per cent in the case of mobile sellers in public markets.

In the light of the structure of employment just described, it is clear that, in the context of Bogotá's food retailing sector, labour costs cannot always be measured in terms of the wages cost of the

Table 81: Work Force by Form of Employment in Food Retailing, Bogotá, 1970

Type of business	Average number of workers per establishment	Average number of wage-earners per establishment	Average number of non-remunerated workers per establishment	Average ratio of wage-earners to total employment (%)
Grocery shop	1.5	0.4	1.1	26.7
Specialist shop	2.4	1.6	0.8	66.7
Market-place:				
- stall holders	1.4	0.06	1.34	4.3
- mobile sellers	1.0	-	1.0	0.0
Supermarkets a/	8.3	8.3	-	100.0
Co-operatives	35.2	35.2	-	100.0

a/ Does not include Bogotá's largest chain of supermarkets.

Source: Calculations by the author based on information contained in Tables 17 and 43 of CID's Retail Establishments' Survey Report.

establishment since the latter does not account for the value of the labour provided by unpaid working proprietors and family workers. However, the limitations of the wage-bill as a measure of labour costs in establishments employing family labour, i.e. the great majority of food retail establishments in Bogotá, can easily be overcome by imputing the value of the hours of work put in by family workers when providing retail services to the community.

In the literature, one finds several examples of ways in which the value of the labour of family workers can be imputed. For instance, in the United States Censuses of Distribution for 1929, 1933 and 1935 (the last year for which operating-expense data were published in the U.S. Census of Distribution), the wage value of the labour provided by working proprietors was assumed to be equal to the average earnings of full-time employees in the same kind of business. By contrast, in the 1941 Canadian Census of Distribution (the only year for which operating-expense data were published), the basis for estimating the value of the proprietor's labour was the salaries and withdrawals of working proprietors, who used to withdraw regularly a stipulated amount of money as a payment for their labour.[59] In the context of the present study, however, we shall estimate the cost arising from the employment of family labour as a combined indication of the number of hours worked and the minimum wage-rate that prevailed at the time when CID's survey was carried out, i.e. November 1970.

In short, the detailed calculation of the monthly labour costs attributable to the various types of establishments operating in Bogotá can be summarized in the form of the following equation:

Monthly average cost of labour in establishment$_i$ = (Average number of wage-earners in establishment$_i$ x Average monthly wage paid to wage-earners in establishment$_i$) + (Average number of family workers in establishment$_i$ x Average number of week-hours worked per worker in establishment$_i$ x 4.3 x 2.16)

where, 4.3 is the average number of weeks in a month and,
2.16 is the 1970 legal minimum wage-rate.

The monthly cost of employing wage labour as reported by the various types of outlets surveyed by CID in 1970 and the details of our estimation of employing family labour are summarized in Table 82 overleaf.

As would be expected the labour costs of retailers operating on the basis of family labour increase quite substantially as a percentage of sales once the value of the labour of working proprietors and family helpers is taken into account. This is not surprising if it is taken into consideration that the number of monthly man-hours worked by family workers for which no provision is made in the calculation of wages cost amounts to 359 in the case of the average grocery shop, 211 in the case of the average specialist shop, 392 in the case of the average market-place stallholder and 292 in the case of the average mobile market-place seller. Nonetheless, the important point to realize is that labour costs cannot be reduced below a certain minimum due to the indivisibility of persons on the one hand and the existence of a minimum price of labour on the other. Thus, a shop that is to remain open to the public for eight hours a day and six days a week will demand at least 206.4 man-hours work per month from the shopkeeper. Of course, the constraint imposed

Table 82: Monthly Labour Costs in Food Retailing, Bogotá 1970

Type of Business	Average number of wage-earners per establishment	Average monthly wages paid to wage-earners (pesos)	Average monthly wage cost per establishment (pesos)	Average monthly cost of wages as a % of sales (per cent)	Average number of family workers per establishment	Average number of week-hours worked per worker (hours)	Legal minimum wage-rate in 1970 (pesos)	Average monthly cost of family labour per establishment (pesos) b/	Average monthly cost of family labour as a % of sales (per cent)	Average total cost of labour as a % of sales (per cent)
	(1)	(2)	(3)=(1)x(2)	(4)	(5)	(6)	(7)	(8)=4.3x(6)x(7)x(5)	(9)	(10)=(4)+(9)
Grocery Shop	0.4	582	235	1.55	1.1	76.0	2.16	776	5.11	6.66
Specialist Shop	1.6	684	1.094	2.68	0.8	61.3	2.16	455	1.12	3.80
Market-place:										
- stall holders	0.06	711	41	0.43	1.34	68.0	2.16	846	8.92	9.35
- mobile sellers	-	-	-	-	1.0	68.0	2.16	632	17.40	17.40
Supermarkets a/	8.3	500	4.145	1.47	-	48.0	2.16	-	-	1.47
Co-operatives	35.2	470	16.560	1.54	-	43.5	2.16	-	-	1.54

a/ Does not include Bogotá's largest chain of supermarkets.

b/ The estimation of the figures presented in this column is based on the assumption that an hour of work of a family labourer is worth 2.16 Col. pesos, the legal minimum wage-rate in 1970.

Source: Calculations by the author based on evidence contained in Tables 17 and 43 of CID's Retail Establishments' Survey Report and legislation on Minimum Wage of the Ministry of Labour and Social Security: Decree 1333 of August 1969.

by the indivisibility of persons can be overcome by the use of part-time workers but this obviously does not apply to the first worker. Thus, taking into account that a minimum of man-hours have to be worked per establishment and that a relative uniformity exists in the price of unskilled labour, it is not surprising to find that the cost of labour as a percentage of sales is extremely high in the case of small scale retailers and that it falls quite substantially as size increases.

The foregoing examination of costs has clearly indicated that small retailers face a much higher structure of costs than that faced by large retailers. This is not only because of the existence of important economies of supply, but also because of the important effects that size has on costs in retailing. While quantity and other discounts lower the cost of goods bought for resale, the economies of scale and specialization that are achieved with size lower the operating costs of retailing. Moreover, the advantages of size are reinforced by important operational economies of scale which arise from the concentration of retail operations, although there is, of course, a point at which most economies of scale are likely to be exhausted.

Why is it, then, that in spite of the clear advantages that large retailers have over small retailers regarding both costs and room for manoeuvre in the fixing of prices, small units have not been replaced by large ones but continue to survive successfully the competition of larger ones? There are several reasons for this. First of all, it must be remembered that small retailers can differentiate their product by offering special services with it and, hence, offset to a large extent the effectiveness of price as a tool of competition. This is not only because from the customers' point of view it matters greatly how far they have to go to shop, the time and trouble involved, and whether or not they will be able to get the type of service they are

looking for, but also because consumers' preferences leave some room for the existence of price differentials in retailing though, needless to say, there is a limit to the price consumers are prepared to accept and beyond which they simply will not buy. Another factor which has undoubtedly contributed to the survival of the small shop in the food trade is the limitations of the advantages of buying in great bulk when it comes to highly perishable goods. The sale of fruits and vegétables, for instance, is a clear example of this situation.[60] With the sources of supply being almost as disperse as consumption, and the existence of significant differences in the price and quality of the goods, large scale buying cannot compete as efficiently as it can in the case of branded goods. In fact, this applies to several other products whose trade is still dominated by local markets, such as bread, milk, meat and other non-branded goods. But perhaps the most important factor underlying the survival of the small shop is the readiness of its owner to underpay his own labour and that of his family, a situation which a capitalist retailer would never be able to match, since neither he nor any of his salaried workers would work without reward for a prolonged period of time.

In effect, the residual treatment given to labour as an item of cost in the accounts of non-capitalist retailers is undoubtedly reflected by the fact that labour is only rewarded out of what is left after having discounted from the total intake all the costs involving an actual disbursement of money. Indeed, it is precisely in the handling of labour costs that the fundamental difference between a capitalist and a non-capitalist retailer lies. While the former bases his decision of setting up and remaining in business on exact financial calculations that provide for all costs incurred in the running of the business - including a reward for his own labour if he is a working proprietor - plus the expected profit, the non-capitalist

retailer does not acknowledge in his calculations of costs the value of his own labour on that of his family for which no wages have to be paid. In other words, what is important to realize is that in the mind of the small retailer, who does not handle his accounts within the framework provided by the rationale of capitalistic businesses, a clear-cut distinction between payment to labour on the one hand and profits on the other does not exist and, therefore, his concept of gain does not bear any resemblance with the capitalist notion of profit.

In order to clarify this point, we shall assess the extent to which retailers are successful in balancing their costs against revenue in the context of the 'profit and loss' account discussed earlier on. In fact, the reconstruction of this account will show, firstly, that it makes no sense to analyze the economic behaviour of the non-capitalist retailer according to capitalist norms and, secondly, that the methods employed in the analysis of capitalist enterprises cannot be applied to the analysis of non-capitalist businesses. It is important to stress, however, that by reconstructing these accounts we are not trying to evaluate the economic efficiency of retailers or to measure the profitability of different types of shops, but to assess the role that the undervaluation of labour costs plays in keeping alive thousands of small retailers who, according to the rationale of capitalistic business, should not exist.

According to the logic of capitalist business, a retailer will remain in business as long as there is a sound relationship between his costs and the prices he charges. In principle, then, the retailer's gross profit (gross margin), that is what he charges for the goods he sells minus what he paid for them, should be large enough to cover the total expenses of running the business, the value of the labour put in by the shopkeeper and the 'expected' profit. Moreover,

in the last analysis, the ultimate criterion for determining gross margins in capitalistic businesses is the maximization of the rate of return on capital.[61] However, as mentioned earlier on, the examination of rates of profit does not fall within the scope of this thesis.

In practice, however, the retailer's gross margin is largely determined by a number of factors such as strength vis-à-vis suppliers, monopolistic or competitive position vis-à-vis competitors, and strategies for maximizing profits. Moreover, there is no reason to expect any uniformity in gross margins among retailers nor any systematic relationship between gross margins and efficiency levels since different retailers both buy and sell at different prices. In fact, retailers might be operating with a relatively low margin either because they have a considerable amount of influence over the prices at which they buy and sell and, therefore, can choose to maximize profits by maximizing the volume of sales, or simply because their bargaining power is very weak: they might have to pay relatively higher prices than their competitors and, most probably, be unable to recover the full difference by charging higher prices to their customers without pricing themselves out of the market.

The gross margins we shall be using in the calculations that follow were provided by CID's Survey of Retail Establishments. As part of this survey, each retailer surveyed was asked about the necessary overall gross margins which he required to recover his costs and make a profit. After subjecting this information to a test of inconsistencies it was found that the overall gross margin added to the cost of goods sold by the typical retailer in each type of outlet was:

Grocery shops	19%
Specialist shops	15%

Supermarkets	15%
Market-place sellers	10%
Co-operatives	9%

Having presented the evidence on gross margins, the net profit obtained by the average retailer can be calculated by subtracting the operating costs of retailing from the gross profit. In Table 83 overleaf, the relevant information on the sales, costs and gross margins of the average retailer is summarized. However, the reader must note that the net profit (margin) left to retailers after discounting their operating costs has been calculated twice, under two different assumptions. In the first case, it has been assumed that the cost of family labour is zero, whilst in the second it has been assumed that the employment of family labour does present a cost, the magnitude of which has been already estimated and presented in Table 82.

Before commenting on the results arrived at in this Table, however, it would be instructive to discuss first the meaning of these two assumptions. Assumption I, presents the point of view of the non-capitalist retailer for whom cost is synonymous with expenditure and who, therefore, sees a gain in whatever is left after discounting all the operating expenses from the intakes of the business. According to this logic, therefore, it is worthwhile to remain in business as long as some cash is left over after settling the accounts, regardless of the fact that the labour devoted by the retailer and his family to the running of the business has not yet been rewarded. This way of reasoning, however, is perfectly 'rational' when the alternative might be a zero income resulting from unemployment.

Assumption II, on the other hand, provides us with the point of view of the capitalist retailer who cannot conceive of the idea of a business in which labour costs are not accounted for in the trading

Table 83: Estimated Net Profits in Food Retailing under Two Assumptions, Bogotá 1970

Type of Business	Average monthly sales (1) (pesos)	Average gross profit margin (2) (Pesos)	(%)	Average monthly cost of services offered to customers (3) (pesos)	(%)	Average monthly cost of premises (4) (pesos)	(%)	Average monthly cost of wages (5) (pesos)	(%)	Average net profit and margin under Assumption I: cost of family labour equals zero (6)=(2)-(3)-(4)-(5) (pesos)	(%)	Average monthly cost of family labour (7) (pesos)	(%)	Average net profit and margin under Assumption II: cost of family labour at minimum wage-rates (8)=(6)-(7) (pesos)	(%)
Grocery Shop	15.190	2.886	19.0	137	0.90	637	4.19	235	1.55	1.877	12.36	776	5.11	1.101	7.25
Specialist Shop	40.758	6.114	15.0	103	0.25	1.407	3.45	1.094	2.68	3.510	8.62	455	1.12	3.055	7.50
Market-place:															
- Stall holder	9.485	949	10.0	58	0.61	265	2.79	41	0.43	585	6.17	846	8.92	- 261	- 2.75
- Mobile seller	3.629	363	10.0	-	-	-	-	-	-	363	10.00	632	17.40	- 269	- 7.40
Supermarkets a/	281.300	42.195	15.0	125	0.05	9.525	3.39	4.145	1.47	28.400	10.09	-	-	28.400	10.09
Co-operatives	1.077.300	96.957	9.0	332	0.03	15.556	1.44	16.560	1.54	64.509	5.99	-	-	64.509	5.99

a/ Does not include Bogotá's largest chain of supermarkets.

Source: See Tables 79, 80 and 82.

accounts. Under this logic, profits do not emerge until every single cost incurred in the running of the business has been accounted for (including his labour if he is a working proprietor) and the decision to remain in business will depend on the rate of return on capital rather than on profits just being positive. The results obtained under these two assumptions, then, should give us an idea of the range within which the gross income of the average retailer, as seen by these two rationales of business, fluctuates. We would now like to comment on the situation of the average grocery and specialist shops and public market sellers regarding the net profits arrived at, under Assumptions I and II, in Table 83. With regard to the self-services, however, this exercise does not serve any purpose since these establishments, without exception, operate according to the capitalist rationale of business.

As expected, under Assumption I, the net profit of the average retailer in all types of shops is positive. However, when the performance of the same retailers is considered under Assumption II, the situation regarding net profits changes quite substantially in those businesses where the non-remunerated family workers constitute a substantial proportion of the work force. In particular, the most extreme case is provided by the stall holders and mobile sellers in public markets whose net profit turns negative once the cost of family labour has been taken into account. This, however, does not mean that these retailers will go out of business since, from the point of view of the non-capitalist retailer, his business leaves him some income as payment for his work, income which would be zero if he remained idle.

The main reason why small retailers are unable to draw the full wage value of their own labour obviously lies in the small size of their operations. In commerce, as in industry, a certain minimum

scale of operations must be achieved before a business becomes profitable in a capitalistic sense. In the case of a capitalist retail establishment, this means that sales should be large enough to cover all the expenses involved in running the business (including the remuneration of working proprietors and family helpers) and to obtain the level of 'net profit' which justifies the investment of capital in that particular business.

Although it is not the aim of this study to establish the volume of sales which must be achieved before a retail business can operate as a capitalist enterprise, it might be helpful to enquire about the minimum volume of sales that the average establishment being examined must attain in order to cover its basic costs of operation and remunerate the labour provided by family helpers at the level of the legal minimum wage. The reader should note, however, that this minimum volume of sales does not provide for the obtaining of a 'net profit'. Based on the following formula,

$$\text{Minimum of sales necessary to pay the basic costs of operation and the labour of family workers} = \frac{\text{Cost of family labour}}{\text{Net Margin under Assumption I}}$$

we estimated the minimum level of sales which the average shop should attain in order to cover its basic costs of operation and remunerate family workers at a rate of one, one and a half and two times the minimum wage.[62] The results of these calculations are summarized in Table 84 overleaf.

Thus, to remunerate the labour of family workers at the level of the legal minimum wage, the average grocery shop surveyed by CID in Bogotá, in November 1970, had to sell at least 6.278 pesos worth of goods per month, the specialist shop 5.278 pesos, the stall holder in the market-place 13.711 pesos and the mobile seller in the market-place 6.320 pesos. Although, by capitalist standards, these volumes

Table 84: Estimations of the Minimum Level of Sales required by the Average Establishment to cover the Operating Costs and the Payment of Labour at a Level of One, One and a Half and Two Times the Legal Minimum Wage, Bogotá 1970

Type of Business	Required level of sales to remunerate family labourers at: One time the minimum wage (pesos)	One and a half times the minimum wage (pesos)	Two times the minimum wage (pesos)
Grocery shop	6.278	9.417	12.556
Specialist shop	5.278	7.917	10.556
Market-place			
- stall holder	13.711	20.566	27.422
- mobile seller	6.320	9.480	12.640

Source: Calculations by the author based on evidence contained in Table 83.

of monthly sales are ridiculously low, for a large proportion of the retailers surveyed by CID in 1970 they proved unattainable. In fact, as can be observed from the evidence contained in Table 85, this was the case with around 60 per cent of the grocery shops surveyed, 12.7 per cent of the specialist shops (excluding butchers' shops), 72 per cent of the stall holders in market-places, and 86.7 per cent of the mobile sellers in public markets.

The extent to which retailers in Bogotá provide their services at the expense of their own labour remuneration, however, can best be shown by reconstructing the accounts of retailers of different sizes under Assumptions I and II: in the first case it is assumed that the cost of employing family labour is zero, whilst in the second case this is considered as part of the costs of the business.

Table 85: Size Distribution in Food Retailing, Bogotá 1970

A. Grocery Shops

Monthly sales (pesos)	% of shops	Average sales per retailer (pesos)
Less than 4.000	36.8	1.957
4.000 to less than 10.000	23.7	5.756
10.000 to less than 20.000	15.8	13.833
20.000 to less than 60.000	15.8	25.833
60.000 to less than 100.000	5.3	70.000
100.000 to less than 170.000	2.6	120.000
TOTAL	100.0	15.190

B. Specialist Shops a/

Monthly sales (pesos)	% of shops	Average sales per retailer (pesos)
Less than 4.000	12.7	1.780
4.000 to less than 10.000	14.3	7.067
10.000 to less than 20.000	23.8	13.800
20.000 to less than 60.000	31.7	32.265
60.000 to less than 100.000	7.9	74.000
100.000 to less than 170.000	6.4	130.000
More than 170.000	3.2	300.000
TOTAL	100.0	38.415

a/ excludes butcher shops.

continues.....

C. Butcher Shops

Monthly sales (pesos)	% of shops	Average sales per retailer (pesos)
Less than 20.000	21.7	13.500
20.000 to less than 45.000	30.5	35.147
45.000 to less than 70.000	26.1	57.668
More than 70.000	21.7	85.091
TOTAL	100.0	47.175

D. Stall Holders in Market-places

Monthly sales (pesos)	% of shops	Average sales per retailer (pesos)
Less than 1.000	8.0	580
1.000 to less than 2.000	20.0	1.372
2.000 to less than 3.000	16.0	2.250
3.000 to less than 7.000	14.0	4.571
7.000 to less than 15.000	14.0	10.743
15.000 to less than 30.000	22.0	19.364
More than 30.000	6.0	40.000
TOTAL	100.0	9.485

continues.....

E. Mobile Sellers in Market-places

Monthly sales (pesos)	% of shops	Average sales per retailer (pesos)
Less than 1.000	20.0	603
1.000 to less than 3.000	40.0	2.257
3.000 to less than 5.000	6.7	4.400
5.000 to less than 7.000	20.0	5.931
Sub-total	86.7	2.888
More than 7.000	13.3	8.445
TOTAL	100.0	3.629

F. Supermarkets a/

Monthly sales (pesos)	% of shops	Average sales per retailer (pesos)
Less than 100.000	12.5	72.000
100.000 to less than 200.000	25.0	153.000
200.000 to less than 400.000	37.5	279.000
400.000 to less than 2.500.000	25.0	517.500
More than 2.500.000	-	-
TOTAL	100.0	281.300

a/ Does not include Bogotá's largest chain of supermarkets.

continues.....

G. Co-operatives

Monthly sales (pesos)	% of shops	Average sales per retailer (pesos)
Less than 100.000	15.4	65.000
100.000 to less than 200.000	46.1	116.700
200.000 to less than 400.000	15.4	287.500
400.000 to less than 2.500.000	15.4	1.301.000
More than 2.500.000	7.7	10.000.000
TOTAL	100.0	1.077.300

Source: CID's Retail Establishments' Survey Report, Tables 29 to 34.

The non-availability of detailed data on costs and gross margins by size, however, has forced us to assume that, as a percentage of sales, both the gross margin and costs of the average retailer hold among retailers of different size. The overall bias introduced in our results by these two assumptions is, however, very small since the assumptions counteract each other, cancelling the major overall effect. This can be better understood if we look at them more closely.

Firstly, the variations in costs with size must be considered. As we have seen throughout this Chapter, there is clear evidence to expect costs to be lower the larger the unit. This is not only due to the economies of supply that are attained with size but also to the indivisibility of persons and equipment. Since retailers cannot without loss adjust demand to suit a whole number of persons employed (sales may be greater than two can cope with, but insufficient to keep three fully occupied), it has been suggested that, on average, the last person engaged in a shop will be only half

occupied.[63] The effect of this on costs is obviously less serious the larger the aggregate number of workers engaged in a shop. Similarly, the possibility of introducing adequate specialization to make full use of each individual's time and capacities increases the larger the total number of workers employed. The same reasoning applies to equipment. Even in cases where equipment comes in all sizes (such as refrigeration), the larger sizes offer savings; the cost per cubic metre of a coldroom, for instance, falls as the size of the coldroom rises, so that the cost of cold storage for the supermarket's meat trade is a lower proportion of turnover than it is for the butcher's corner-shop. Thus, by assuming that all shops of a certain type, regardless of their size, face the same costs (as a proportion of sales) as the average shop, we are underestimating the level of costs of the smaller shops while overestimating that of the larger shops.

To a large extent, however, the bias in costs is compensated by the fact that larger shops are in a more favourable position to operate with lower gross margins than their smaller counterparts, due to their competitive strength when dealing with suppliers and their ability to reduce costs. Although there is no definite evidence on this point, due to the fact that in retailing the nature of the output is so variable that what customers are prepared to pay has to be taken into consideration, in general it is realistic to assume that the larger shops in the food trade operate with lower margins than their smaller counterparts, especially if the rate of turnover of capital is rising as a result of lower margins.[64] Thus, the assumption that all shops of a certain type, regardless of their size, operate with the same gross margin as the average shop, compensates for our first assumption since it underestimates the gross profit obtained by small shops and overestimates that of larger

shops.

Although the degree of accuracy of our calculations might be challenged, the point is that the introduction of additional and more accurate information on costs and revenues would not change in any fundamental way the results of our analysis: surplus, if the calculations do not include unremunerated labour; deficit, if they do.

As can be seen in Table 86, if we look at the relationship between costs and revenues of retailers in accordance to capitalist norms (which amounts to assessing at market prices the value of goods and services that are neither sold nor purchased), a large proportion of the retailers operating in Bogotá will appear to operate at a loss. This situation appears to be quite different, however, if we look at it from the retailer's point of view. His 'business' is 'profitable' since it leaves him with an income, however minimal, after deducting those costs which involve an actual disbursement of money. As we saw, the non-capitalist retailer will remain in business as long as the revenue left to him after deducting expenditure represents a level of income that is acceptable to him. This level can be very low, however, especially when the prospect of starvation is at his doorstep and the possibility of alternative employment is not in sight.

Thus, although the small retailer may be mistaken in believing that he is his 'own boss' or in believing that he might prosper in this type of business, he is not mistaken when he believes that he can compete successfully against large, modern shops, due to the special characteristics of the small shop and the small retailer. In fact, small retailers remain in business and continue to enter for reasons which are quite alien to the capitalist rationale of business. In the eyes of the non-capitalist retailer, a 'business' represents

Table 86: Estimated 'Net Profits' in Four Types of Food Retail Establishments classified by Volume of Monthly Sales under Two Assumptions, Bogotá, 1970

Level of monthly sales (pesos)	% of shops (1)	Average sales per retailer (pesos) (2)	Average net margin and profit under Assumption I: cost of family labour equals zero (%) (3)	(pesos) (4)	Average monthly cost of family labour (pesos) (5)	Average net profit under Assumption II: cost of family labour estimated at minimum wage-rates (pesos) (6)=(4)-(5)
A. Grocery Shops:						
Less than 4,000	36.8	1,957	12.36	242	776	- 534
4,000 to 10,000	23.7	5,756	12.36	711	776	- 65
10,000 to 20,000	15.8	13,833	12.36	1,710	776	934
20,000 to 60,000	15.8	25,833	12.36	3,193	776	2,417
60,000 to 100,000	5.3	70,000	12.36	8,652	776	7,876
100,000 to 170,000	2.6	120,000	12.36	14,832	776	14,056
Average	100.0	15,190	12.36	1,877	776	1,101
B. Specialist Shops:[a]						
Less than 4,000	12.7	1,780	8.62	153	455	- 302
4,000 to 10,000	14.3	7,067	8.62	609	455	154
10,000 to 20,000	23.8	13,800	8.62	1,190	455	735
20,000 to 60,000	31.7	32,265	8.62	2,781	455	2,326
60,000 to 100,000	7.9	74,000	8.62	6,379	455	5,924
100,000 to 170,000	6.4	130,000	8.62	11,206	455	10,751
More than 170,000	3.2	300,000	8.62	25,860	455	25,405
Average	100.0	38,415	8.62	3,311	455	2,856
C. Stall Holders in the Market-place:						
Less than 1,000	8.0	580	6.17	36	846	- 810
1,000 to 2,000	20.0	1,372	6.17	85	846	- 761
2,000 to 3,000	16.0	2,250	6.17	139	846	- 707
3,000 to 7,000	14.0	4,571	6.17	282	846	- 564
7,000 to 15,000	14.0	10,743	6.17	663	846	- 183
15,000 to 30,000	22.0	19,364	6.17	1,195	846	349
More than 30,000	6.0	40,000	6.17	2,468	846	1,622
Average	100.0	9,485	6.17	585	846	- 261
D. Mobile Sellers in the Market-place:						
Less than 1,000	20.0	603	10.00	60	632	- 572
1,000 to 3,000	40.0	2,257	10.00	226	632	- 406
3,000 to 5,000	6.7	4,400	10.00	440	632	- 192
5,000 to 7,000	20.0	5,931	10.00	593	632	- 39
Sub-total	86.7	2,888	10.00	289	632	- 343
More than 7,000	13.3	8,445	10.00	845	632	213
Average	100.0	3,629	10.00	363	632	- 269

a/ Excludes butcher shops.

Source: Calculations by the author based on the evidence contained in Tables 83 and 85.

a source of livelihood rather than an investment of capital which should yield a satisfactory return. His decision to remain in business would not even be based on the size of the income that is left to him after deducting all the expenses incurred in the running of the business, but on (i) the need that he and has family have of whatever income is obtained from the 'business' and (ii) the range of possible alternative sources of income that might be available to the family unit at any particular time.

As regards the first factor, however, it is important to bear in mind that the majority of non-capitalist workers in Colombia's four major cities are members of low income households and it is therefore not surprising to find that a high value is attached to any 'extra' peso available for the maintenance of the household. As regards the second factor, it should be borne in mind that, especially in the case of retail activities, the number of alternative sources of income is limited by the fact that a large proportion of the non-capitalist retailers are women who work in their places of residence and who, in many cases, prefer not to, or simply cannot, work away from their homes due to the nature of their domestic tasks, i.e. child care. To sum up, the economic rationale of the non-capitalist retailer, and for that matter of any non-capitalist worker, has its roots in the social and economic conditions confronting him rather than in his 'ignorance' of how to run a business.

By contrast, neo-classical economic theory will argue that the average non-capitalist retailer does not know how to make accurate calculations since he does not take into account the cost of family labour or interest on capital, and, therefore, even if he is not aware of the fact, he operates at a loss. This conclusion, however, is reached on the basis of a false premise, i.e. that the capitalist

norms are universal and apply to all forms of production. This way of looking at the problem, however, does not even hold within the framework of neo-classical economic theory since it is absurd to argue that, for generations, thousands of retailers have been operating constantly at a loss - even if they are not aware of the fact. Of course, neo-classical economic theory will appear to settle this matter when it argues that the marginal productivity of the small retailer is so small that the value of his labour must be regarded as equal to zero. Does this mean then that, although the small retailer does not know how to make accurate calculations, he applies marginal theory correctly? Or, does it mean that making calculations according to capitalist norms is absurd in relation to non-capitalist forms of production?

At a more general level, however, the existence of a non-capitalist counterpart in the supply of food retailing services is explained by the particular needs of low income consumers, on the one hand, and by the unprofitability of the forms of trading that satisfy those needs, on the other. As we have just seen, the forms of commercialization that par excellence satisfy the needs of the low income groups in Bogotá are small scale and, more importantly, unprofitable by capitalist standards. Given the scale requirements of capitalist retailing and the relationship between costs and size of firm, a capitalist retailer is not in a position to satisfy the needs of consumers who, as a result of their low purchasing power, are permanently involved in small but frequent transactions, consume a limited range of products and require infinite possibilities of product subdivision. In a low wage economy such as that of Colombia, then, the market characteristics of low income consumers do not meet the basic requirements and minimum conditions which make capitalist retailing a viable proposition. Thus, the 'unprofitable' task of

selling food to that section of the market characterized by a very low purchasing power is left to thousands of small, non-capitalist retailers, while capitalist retailers only attend to the needs of that section of the market which fulfils the minimum conditions required on the demand side for the successful operation of large scale retailing.

Finally, it is important to stress that from the point of view of capital, the existence of a non-capitalist counterpart in the supply of certain basic goods and services is not only desirable, but essential so long as capitalist enterprises remain unable to meet the needs of the low income section of the market, at a profit. In this sense, it can be argued that the reliance of the capitalist sector on non-capitalist activity is not just a matter of choice or tolerance but of necessity, determined by both the essential character and the unprofitable nature of some activities. The overall process of capitalist production and accumulation benefits from the existence of a non-capitalist counterpart in the supply of essential goods and services in a variety of ways, and these will be discussed in the following Chapter.

NOTES, Chapter VI

1. Among others see A.N. Bose, The Informal Sector in Calcutta Metropolitan Economy, WEP Urbanization and Employment Research Programme, Working Paper No. 5, ILO, Geneva, 1974; C. Gerry, Petty Producers and the Urban Economy: A Case Study of Dakar, WEP Urbanization and Employment Research Programme, Working Paper No. 8, ILO, Geneva, 1974; and M. Bienefeld and M. Godfrey, "Measuring Unemployment and the Informal Sector: Some Conceptual and Statistical Problems", Bulletin of the Institute of Development Studies, Vol. 7, No. 3, October 1975, pp.4-10. The subordination of the non-capitalist sector through market relations is also recognized by most analysts who argue that the relationship between the two sectors of the urban economy is of a 'benign' nature. See, for example, R. Webb, "Ingreso y Empleo en el Sector Tradicional Urbano del Perú", in R. Cardona G. (ed.) América Latina: Distribución Espacial de la Población, CCRP, Bogotá, 1975; J. Weeks, An Exploration into the Nature of the Problem of Urban Imbalance in Africa, (mimeo), IDS, University of Sussex, 1971; and K. Hart, "Informal Income Opportunities and Urban Employment in Ghana", Journal of Modern African Studies, Vol. 11, No. 1, 1973, pp.61-89 and "Small Scale Entrepreneurs in Ghana and Development Planning", Journal of Development Studies, Vol. 6, No. 4, July, 1970. pp.104-120.

2. This view is held, in particular, by A.N. Bose, ibid., C. Gerry, ibid., and M. Bienefeld and M. Godfrey, ibid.

3. See notes 4 and 5.

4. This view is supported among others by T.G. McGee, Hawkers in Hong Kong: A Study of Planning and Policy in a Third World City, Centre of Asian Studies, University of Hong Kong, 1973; C. Leys, "Interpreting African Underdevelopment: Reflections on the ILO Report on Kenya", African Affairs, Vol. 72, 1973, pp. 419-429; M. Bienefeld and M. Godfrey, "Measuring Unemployment....", op.cit., October 1975; C. Gerry, "Petty Producers....", op.cit., 1974; Alan Middleton, The Marginalized Labour Force, The Reserve Army and The Relative Surplus Population Revisited: A Comment on Anibal Quijano, Institute of Latin American Studies, University of Glasgow, Occasional Paper No. 31, 1980; M. Murmis, "Notas sobre el Concepto de Marginalidad", Revista Latinoamericana de Sociología, Vol. 5, No. 2, 1969; L. Kowarick, Capitalismo e Marginalidade Urbana na América Latina, Paz e Terra, Rio de Janeiro, 1975.

5. This view is supported among others by C. Birkbeck, "Self-employed Proletarians in an Informal Factory: The Case of Cali's Garbage Dump", World Development, Vol. 6, Nos. 9/10, September/October 1978, pp. 1173-1186; O. Marulanda, El Sector Informal en la Economía Urbana de Bogotá D.E., OFISEL, 1976; E. Parra Escobar, El Papel del Sector Informal en la Economía, CINEP, Bogotá, 1978; Servicio Público del Empleo/UNDP/PREALC, Bases para una Política de Empleo hacia el Sector Informal o Marginal Urbano en México, Secretaría de Trabajo y Previsión Social, Mexico, 1975; C. Gerry, "Petty Producers...", op.cit., 1974; M.A. Bienefeld and E.M. Godfrey, "Measuring Unemployment...", op.cit., October 1975; A. Middleton, "The Marginalized....", op.cit., 1980.

6. For a description of the organization of work among garbage pickers on Cali's garbage dump, see C. Birkbeck, "Self-employed Proletarians...", op.cit., 1978. The link of the garbage picker to the big industry was examined by the same author in a paper presented to the CLACSO Employment-Unemployment Group in a Seminar on the 'Informal Sector': Vagrant Vultures or Industrial Workers? (mimeo), Santiago, August 1977. On these links see also E. Guzmán and F. Lerner, Los Recolectores de Basura en el Basurero de Cali y la Industria de Cartón en Colombia, thesis presented to the Faculty of Economics, University of Los Andes, Bogotá, August 1977.

7. See R. Bromley, Vendedores en la Vía Pública: Características, Problemas y Posibles Soluciones, (mimeo), Cali, 1977 and "Organization, Regulation and Exploitation in the so-called 'Urban Informal Sector': The Street Traders of Cali, Colombia", World Development, Vol. 6, Nos. 9/10, September/October 1978, pp.1161-1172.

8. On subcontracting in the clothing industry in Mexico and Colombia, see respectively, Servicio Público del Empleo/UNDP/PREALC, "Bases para una Política....", op.cit., 1975 and Lisa Peattie, The Organization of the Marginals, (mimeo), M.I.T., 1976, p.15 and passim. On subcontracting in the construction industry in Senegal, see C. Gerry, "Petty Production and Capitalist Production in Dakar : The Crisis of the Self-employed", World Development, Vol. 6, Nos. 9/10, September/October 1978.

9. C. Gerry, "Petty Production...", ibid, 1978, p.1155. In Colombia this tendency can be illustrated with the case of the repaid and maintenance services of RENAULT. The work is subcontracted by the chief of a gang of mechanics, the company providing the necessary spare parts, some tools and the place of work. RENAULT not only see the advantages of subcontracting in the reduction of long-term costs but also in the prevention of labour unionization.

10. Concrete examples of these forms of engaging non-capitalist workers in the production process of capitalist firms can be found, for the case of Quito, Ecuador, in Alan Middleton, "Petty Manufacturing, Capitalist Enterprises and the Process of Accumulation in Ecuador", Development and Change, Vol.12, No. 4, October 1981, pp.514-521.

11. According to Colombian Law, workers cannot organize themselves in a union unless there are more than 25 workers employed by the same employer.

12. The production of cheap footwear constitutes a good example of an activity which was taken over by capitalist production when it was profitable to do so. Following the technological developments in the footwear industry that introduced synthetic shoes into the market, shoe production for mass consumption was rapidly monopolized by capitalist industry in the 1960s. This development wiped thousands of small shoemakers out of the market, due to the substantial shrinkage of the market for hand-made footwear that followed.

13. As an example of their protests, see "Vendedores Ambulantes: FENALCO se Pronuncia", País Newspaper, 19th July 1977.

14. See, for instance, "No habrá Violencia contra Vendedores", El Tiempo Newspaper, 15th November 1978, p. 7-C.

15. R. Bromley, "Organization, Regulation,...." op.cit., 1978, pp. 1165 and 1168.

16. Street trading and garbage picking are examples of activities which can be banned by the authorities. Similarly, subcontractual relations between firms and outside workers can be restricted by unions and labour legislation.

17. State funds in the provision of basic services, however, are only likely to be seen in the case of relatively capital intensive services such as public utilities, rubbish collection, transport and communications. This is particularly true when the price of the service has to be kept artificially low as in the case of a low wage economy, such as that of Colombia. Indeed, the price of public transport in any major Colombian city cannot be fixed in accordance to the real costs that are involved in providing the service, due to the low level of wages which prevail within the economy. Enormous subsidies are thus paid by the government every month to the privately owned companies that provide the service. In fact, the amount of subsidy paid by the government to the bus companies is of such magnitude that the total expenditure in subsidies over a period of two years will suffice to buy the entire fleet of buses operating in Bogotá. Yet, there are important political considerations which account for the political unfeasibility of any attempt to nationalize public transport. For a very good economic and political analysis of Bogotá's public transport sector, see U. Ayala, El Transporte Público en Bogotá, Bogotá, 1979 (mimeo).

18. See V. Tokman, "Competition between the Informal and Formal Sectors in Retailing: The Case of Santiago", World Development, Vol. 6, Nos. 9/10, September/October 1978, pp.1187-1198.

19. See DANE, Muestra de Comercio Interior 1967, Bogotá, November 1970, Table 2, p.21.

20. Between 1954 and 1967 the share in total employment of the establishments with annual sales of over 100.000 pesos of 1967 increased substantially: from 25.1 per cent in 1954 to 38.3 per cent in 1967. Similarly, the establishments with annual sales of over one million pesos of 1967 increased their share in total employment from 2.5 per cent in 1954 to 8.6 per cent in 1967. However, as the structure of food retailing became more concentrated, the number of small establishments (annual sales of less than 100.000 pesos of 1967) increased from 53.395 establishments in 1954 to 87.402 establishments in 1967 whereas employment in that size of establishment only rose from 81.376 workers to 87.402 workers. The 55 per cent increase in the total number of small establishments accompanied by an increase of only 8.0 per cent in employment showed itself in a reduction of the average number of workers per establishment of that size: from 1.44 workers in 1954 to 1.01 workers in 1967. For a general analysis of the evolution of retailing in Colombia based on the 1954 and 1967 Censuses of Trade and on the 1951 and 1964 Censuses of Population, see: Albert Berry, Growth and Productivity in the Commerce Sector: Colombia, (mimeo), n.d. and Urban Labour Surplus and the Commerce Sector: Colombia, Yale Economic Growth Center, Discussion Paper 4, 178, June 1973.

21. D. Metcalf, "Concentration in the Retail Industry in Great Britain", The Farm Economist, Vol. 11, 1968, pp.294-303.

22. See, for instance, A. Marshall, "Large and Small Trading Establishments", Principles of Economics, Book 4, Chapter 11, Section 6, Macmillan, 1936, pp. 287-289; V. Pareto, Manuel, Paris, 1927, pp.460-461; K. Wicksell, Lectures on Political Economy, Vol. I: General Theory, George Routledge and Sons, Ltd., London, 1935, pp.87-88: A.C. Pigou, Economics of Welfare, Macmillan, London, 1938, p. 320 and passim; H. Smith, Retail Distribution: A. Critical Analysis, Oxford University Press, 1937, pp.121-122. A critique of Smith's views can be found in J.Hood and B.S. Yamey, "Imperfect Competition in Retail Trades", Economica, Vol. 12, 1945, pp. 202-234. Herman Levy, The Shops of Britain: A Study of Retail Distribution, Kegan Paul, Trench, Trubner and Co., London, 1948, and M. Hall, Distributive Trading: An Economic Analysis, William Brendon and Son, London, 1949, on the other hand, disagree with the views of the above-mentioned economists. Says M. Hall: "There is no doubt that sizeable reductions in operating costs are obtained by large scale business, both at wholesale and retail. We cannot, however, deduce at once from this fact that large scale trading methods should widely replace small scale methods", Distributive Trading, p.188.

23. See, for instance, A.W. Lewis, "Competition in Retail Trade", Economica, Vol. 12, 1945, pp. 202-234; R. Ballamy, "Private and Social Costs in Retail Distribution", Oxford Institute of Statistics Bulletin, Vol. 8, No. 11, November 1946 and Retail Trade Committee, Third Report, London, 1942 (Quoted by M. Hall, "Distributive Trading...", op.cit., 1949, p. 185 and passim).

24. On this point see A.W. Lewis, "Competion....", op.cit., pp.202-234.

25. H. Levy, The Shops of Britain, op.cit., 1948, p.214.

26. Centro de Investigaciones para el Desarrollo (CID), Estudio de Consumidores y Distribución Urbana de Víveres en Bogotá, Vol. I to V, Universidad Nacional de Colombia, Bogotá, 1971.

27. CID arrived at the figure of 22.819 shops after carefully checking DANE's sample of food retail establishments used in the 1967 Census of Trade and adding the 6445 market-place sellers that operated at the time of CID's Survey in Bogotá. A census in the 35 market-places was carried out by CID's research team. The figure of Bogotá's population in November 1970, on the other hand, is based on the evidence provided by the 1964 Census of Population and on an annual geometric rate of growth of 6.929 provided by DANE.

28. This listing excludes a number of less important types of business in the food trade, such as street vending, department stores, doorstep selling (mainly milk) and the government sponsored IDEMA's fixed and mobile shops which, in fact, disappeared in 1976 when the Institute for Agricultural Produce Marketing (IDEMA) decided to abandon retail operations altogether.

29. The term 'staple' in this context implies that the product is one bought frequently and in considerable amount by the housekeeper.

30. On this see R.M. Alt, "Competition among Types of Retailers in Selling the same Commodity", Journal of Marketing, Vol. 14, October 1949, pp. 441-447 and R.H.Holton, "Price Discrimination at Retail: The Supermarket Case", Journal of Industrial Economics, Vol. 6, 1957, pp.13-32.

31. By law, 2 per cent of the monthly wage bill goes to workers' welfare associations, this amount being doubled by the employer's contribution. The two main workers' welfare associations operating co-operative stores at Bogotá are CAFAM and Colsubsidio.

32. This point was discussed by the Federation of National Traders (FENALCO) in a meeting that took place in Medellín in November 1978.

33. Estimation given by one of the managers of CARULLA S.A. (Bogotá's largest chain of supermarkets) in an interview with the author (Bogotá, November 1978).

34. Although the co-operatives are not located in high income districts, a significant number of them are quite accessible (especially by car) to high income consumers.

35. As a matter of fact, it was found that those households with a per capita income of less than 100 pesos a month (7.7 per cent of all households recorded in CID's Survey) had an expenditure/income ratio greater than unity. That is to say, that at the time of the survey one in every six households in Group A were already actively dis-saving in relation to their food expenditure, not to mention the further dis-saving these families were incurring in relation to other basic items such as rent and apparel, which the poorest families are supposed to cover with the remaining 20 per cent of their income. The similarity of these results with those found in Chapter V - where the food expenditure/income ratios (based on evidence of CEDE's Employment and Poverty Survey) were examined - is striking. Moreover, these results, which are not due to peculiarities of the samples in either survey, confirm the persistent nature of the phenomenon over the years within the economy. See Chapter V, pp. 267-276.

36. As discussed earlier on in Chapter V (p.274), family composition has also been found to be an important factor in explaining household consumption and expenditure patterns.

37. As regards processed foods, however, it must be emphasized that the poorer households do not buy exactly the same sort of products as the high income households. The poorer families tend to buy primarily products such as chocolate, panela, pasta, barley and other high calorie foods whereas the wealthier families tend to buy tinned and pre-packed foods such as tomato ketchup, fruit juices and many other luxury-type manufactured foods.

38. Inferior goods are those for which demand decreases as income increases.

39. The form of these indexes is as follows:

Quantity Index, $\frac{\text{Group D quantities at Group A prices}}{\text{Group A quantities at Group A prices}}$ (Laspeyre form)

Price Index, $\frac{\text{Group D quantities at Group D prices}}{\text{Group D quantities at Group A prices}}$ (Paasche form)

For a further explanation of these indexes see Appendix G.

40. This stands in contrast to the much stronger preference of the British or French shopper to buy fresh products on an almost daily basis. This, in fact, explains the importance of the specialist shop in the food retail industry of these countries. However, it should be noted that the great majority of these establishments are part of organizations with hundreds of similar establishments operating all over the country. In the case of Great Britain, see D. Metcalf, "Concentration in the Retail Grocery Industry in Great Britain", Farm Economist, Vol. 11, 1968, pp.294-303.

41. It must be emphasized that the fact that a high proportion of shoppers are not familiar with the whole range of alternatives open to them limits the scope of their preferences and dislikes to the shops they are more familiar with.

42. The relative importance of the supermarket in the distribution of fish and pork is explained by the fact that the majority of families in Bogotá, and especially the poorer ones, do not consume these meats at all. As a matter of fact, of the 755 families surveyed by CID, 90 per cent of the families with a per capita monthly income of less than 600 pesos did not consume pork, the percentages being 84.6 and 68 per cent in the case of families with a monthly per capita income between 600 and 1000 pesos and families with a per capita income of over 1000 pesos respectively. In the case of fish the corresponding percentages were even higher: 92.4 per cent, 93.3 per cent and 73.2 per cent respectively. The low consumption of fish among the population of Bogotá is primarily explained by the geographical location of the city. Most of the fish sold in Bogotá is frozen, which gives the advantage to supermarkets and other shops with refrigeration facilities and equipment.

43. This is not surprising because high income families, the predominant group among supermarkets' customers, usually have milk delivered to their homes, buy meat from specialized butchers which, although more expensive, is of a better quality than that sold by supermarkets, and consume less potatoes than the other income groups.

44. On this see B.R. Holdren, The Structure of a Retail Market and the Market Behaviour of Retail Units, Prentice-Hall, Inc., New Jersey, 1960, pp. 142-143.

45. The exceptions to this general rule illustrate their own relative unimportance by the special conditions that must be present. There is Marshall's famous example of shops catering for tourists, living on a stream of new customers all the time so that the long run looks after itself. A further example is provided by the retailers in theatres, stadiums and so on, where the mobility of the customers is restricted. Finally, there is the 'exclusive' retailer for whom high prices may provide a mark of distinction in the view of some customers.

46. The 'profit and loss account' which goes back to the invention of book-keeping, reviews incomings and outgoings, other than capital transactions, over a period.

47. Most producers of branded goods in fact have a certain monopoly which allows them to sell above their price of production, i.e. marginal cost.

48. On this see Mary S. Munn and Sarah M. Heywood, "How Much Shall I Buy?", Purchasing Journal, January and March 1951 and P. Baily, Purchasing and Supply Management, Chapman and Hall, 1969.

49. This is one of the reasons why CARULLA S.A. refused to participate in the survey undertaken by CID. They argue that it would be disloyal to the suppliers to disclose any information on the terms given to them.

50. Direct advertising by manufacturers, however, plays a crucial role in limiting this 'freedom of not buying', since it creates consumer acceptability for their products and, more important, consumer insistence for the retailer to stock the product.

51. On the relationship between size of establishment and costs of procurement and holding stocks, see W.G. McClelland, "Stocks in Distribution", Journal of Industrial Economics, Vol. 8, June 1960, p. 230 and passim.

52. In this context 'extra' means trade that would not otherwise have been done or would not have been attracted otherwise at a lower cost.

53. According to the evidence contained in the 1967 Census of Trade, the rates of stockturn in food retailing by type of business were as follows: grocery shops (36 days), butchers (1 day), dairies (9 days), greengrocers (12 days), delicatessen and tobacconists (59 days) and self-services(29 days). Calculations based on the data contained in Table 2 (p.21) of DANE's 1967 Trade Census Report.

54. The largest chain of supermarkets in Colombia (CARULLA S.A.), constitute an example of a store that finances the totality of its stocks with credit from suppliers. This firm not only does not pay any supplier before eight days but also gets credit for periods as long as 150 days, whereas most outlets would be granted only 30 days. The remarkable strength of CARULLA's bargaining power vis-à-vis its suppliers stems from the fact that the firm is by far the most important single customer for any supplier, even though CARULLA's share in Bogotá's retail food market is well below 10 per cent.

55. W.G. McClelland, Costs and Competition in Retailing, Macmillan, New York, 1966, p. 101.

56. McClelland, for instance, has suggested that the optimum number of staff that should be engaged in a shop is that which "balances the profit on extra sales against the cost of extra staff". See W.G. McClelland, Costs and Competition in Retailing, Macmillan, New York, 1966, p.96. A good example of a formula used by a large multiple organization in the United States can be found in B.T. Ramm, "Determination of Branch Staff Establishments", Applied Statistics, Vol. 4, November 1955, pp.195-198.

57. It must be remembered, however, that a large proportion of the young, old and female are, on average, better off in retailing than in sectors like manufacturing due to the effects of positive wage discrimination by sex and age in manufacturing employment. See Chapter IV, especially Tables 24 and 29. For similar findings, both in developed and underdeveloped countries, see Y. Sabolo, The Service Industries, ILO, Geneva, 1975, pp. 110-112 and United Nations, Secretariat of the Economic Commission for Europe (ECE), Economic Survey of Europe in 1965, Part 2: "Incomes in Post-war Europe: A Study of Policies, Growth and Distribution", Geneva, 1967, Chapter 5.

58. For the theoretical argument on this point see R.L. Meek, Studies in the Labour Theory of Value, Lawrence & Wishart, London, 1956.

59. M. Hall and J. Knapp, "Gross Margins and Efficiency Measurement in Retail Trade", Oxford Economic Papers, Vol. 7, 1955, Note 3, p. 314.

60. In the developed countries, however, this problem has been overcome to a large extent with the development of the frozen food industry and the extended ownership of home refrigerators and freezers.

61. In fact, it is perfectly rational for a retailer wishing to maximize the rate of return on capital to choose a strategy involving a rise in the rate of turnover of capital at the expense of a fall in the net profit as a percentage of sales (i.e. net margin).

62. This calculation is not carried out with regard to the self-service group, since these are considered to operate according to capitalist rationale. They operate fundamentally on the basis of wage labour. The co-operatives do not operate at a loss, although their objective is to subsidize the consumer.

63. See W.G. McClelland, op.cit., 1966, p. 152.

64. On the relationship between gross margins and size of establishment see, M. Hall and J. Knapp, "Gross Margins and Efficiency Measurement in Retail Trade", op.cit., 1955, pp. 318 and passim, and J.D. Hughes and S. Pollard, "Gross Margins in Retail Distribution", Oxford Economic Papers, Vol. 9, 1957, pp. 75-87.

CHAPTER VII

THE ROLE OF URBAN NON-CAPITALIST ACTIVITY IN THE PROCESS OF DEVELOPMENT AND ACCUMULATION OF THE COLOMBIAN ECONOMY: SUMMARY AND CONCLUSIONS

This thesis has examined the articulation between urban non-capitalist activity and the capitalist sector in an attempt to show that although these two sectors are distinct in nature they are, nevertheless, inseparable as aspects of the current process of capitalist development in Colombia. More specifically, this study has aimed at showing that those sections of the urban labour force engaged in urban non-capitalist activity, a direct by-product of the process of capitalist development itself, participate in, and actually contribute to, the advancement of capitalist production and accumulation in Colombia by: (i) exerting a downward pressure on the level of wages that are paid by capital to its work force, (ii) supplementing the insufficient means of subsistence that are provided by capital in the form of low wages for the maintenance and reproduction of labour and (iii) supplying essential goods and services, especially in those instances where it is unprofitable for capital to provide them on the basis of wage-labour.

In Chapter II, an attempt was made to trace the main features of the development process of Colombia that explain the retention of certain forms of non-capitalist activity in the urban areas. On the one hand, we considered the role that the modernization of agriculture, in the context of an extremely unequal system of land tenure and political violence, played in the disintegration of the peasant community, which left thousands of peasants with no means of subsistence and no alternative other than to emigrate. On the other hand, we examined the main features of the process of industrialization that, in our judgement, explain the low labour absorption capacity of the

sector which, at least theoretically, was expected to play a major role in the creation of urban employment, both directly and indirectly. We concluded that the urban non-capitalist worker of the Colombian economy is the product of his own incapacity not only to retain control over the means of production (mainly land) but also to sell his labour to capital on a regular basis. Besides, it must be borne in mind that the particular characteristics assumed by the process of capitalist development in Colombia have encouraged capital to broaden its basis of exploitation through the articulation with non-capitalist activity.

The early development of a highly monopolistic product market in Colombia and the size and composition of the internal market, both a by-product of the disproportionate concentration of wealth in the hands of a few families that have controlled the means of production since the XIX century, were identified as the main determining factors of the low labour absorption capacity of the industrial sector. The early appearance of a highly monopolistic product market structure in Colombia limited the labour absorption capacity of the industrial sector from the outset in that it: (i) restricted the establishment of new firms, (ii) favoured the use of highly mechanized technologies and (iii) limited the scope for the re-investment of profits, unless an expansion of demand occurred to justify such investment. In the fifties, the monopolistic tendencies of the Colombian economy were accentuated by protectionist policies, while in the sixties the main features were the nature of the new industries that were introduced and the size of the Colombian market. With wage employment expanding slowly and the existence of a steadily downward pressure on wages, the size and composition of the internal market (largely determined by the existence of long-standing inequalities in the distribution of wealth and income) began to set the pace and limitations for the

expansion of demand - a situation required for the expansion of production under monopolistic conditions.

In this respect, the conditions that prevailed for the expansion of capitalism in the advanced capitalist economies were quite different. In these economies, the intensification of production in the branches of industry producing wage-goods led to the development of mass production methods and technologies that, by increasing the productivity of labour, reduced the cost and, consequently, the price of commodities, including labour. A process of sustained expansion was initiated in so far as the cheapening of labour-power (determined in the first place by the reduction in the value of the labourer's means of subsistence) not only expressed itself in higher profits but also in a higher demand for consumer goods, thereby encouraging the further expansion of production and the search for the technologies that increase the productivity of labour. The search for new technology and the expansion of the demand for consumer goods (Sector II) in turn stimulated the demand for capital goods (Sector I), thereby establishing a link of mutual stimulus between the two sectors of the economy.

Moreover, in its search for ways to increase profits, capital not only revolutionized the methods of production but also the structure of demand, by creating needs at an individual and social level through the constant incorporation of new products and the increasing sophistication of those already in existence. The rationale that links the incorporation of new products with the expansion of capitalist production is that although the incorporation of new products into the consumption basket of the working class increases the value of labour-power, this can be more than counteracted by increasing the productivity of labour through technological change. Thus, by linking the production of relative surplus-value (as opposed

to absolute surplus-value) with the incorporation of new products, modern capitalism has ensured the existence of a constantly growing market - a crucial precondition for the expansion of capitalist production.

In Colombia, by contrast, with demand only expanding significantly among the middle and high income groups, the expansion of the industrial sector has been based not on the intensification of production in those branches producing wage-goods for the majority of the population, but on the diversification of production in order to satisfy the demand of the higher income groups. Although it is not disputed that in the short-term this strategy allowed industrial capital to expand, from the point of view of long-term expansion this development had negative consequences in that it aggravated rather than solved the main problems that have always affected the dynamics of the process of industrialization in Colombia. In the first place, the expansion of the industrial sector based on the production of luxury goods not only led to the further fragmentation of the domestic market into smaller markets for specific goods but also accentuated the monopolistic structure of the product market due to the scale of production and type of technology associated with the production of these goods. In the second place, by linking the introduction of new products with the production of luxury goods, most of the effectiveness of the main mechanism for the expansion of production and accumulation in a monopolistic economy was lost. This was partly because increases in labour productivity mostly took place in those branches of industry which supply neither the means of subsistence nor the means by which they are produced, thus leaving the value of labour unaltered while lowering the employment coefficients in those industries, and partly because the market for new products could not be expanded significantly except by increases in the

consumption of the capitalist class at the expense of the accumulation of capital. Thus, with the expansion of the industrial sector based on the production of luxury goods for the high income groups, the limited incentives that the existing narrow market might have offered for the introduction of mass production methods in the branches producing wage-goods were lost, due to the further fragmentation of the market, and with them any chance of achieving the increases in labour productivity and incomes (wages and profits) that would have provided the basis for the 'real' expansion of demand. In its search for quick profits, Colombian capital has now turned to the external markets, linking the expansion of production with the production for export. Apart from a short period of prosperity that culminated with the world recession that started in 1973, this strategy of accumulation has reinforced even further the monopolistic structure of the Colombian product market and, more importantly, has led to the lowering of real wages.

Although the question of whether or not the Colombian capitalist class could modify some of the unfavourable conditions that have restricted the development of capital in Colombia remains to be answered, the fact is that under the current conditions of demand the scope for the expansion of capitalist production based on the production of relative surplus-value (increases in labour productivity achieved mostly through technological change) remains very limited. This particular feature of Colombian capitalism has led to a somewhat paradoxical situation. On the one hand, a relatively large proportion of the profits that remain in the country are not being re-invested productively, but are used for financing speculative operations in the financial markets (usurer capital) and/or for financing the extravagant consumption of the Colombian capitalist class, often at the expense of the country's availability of foreign exchange.

On the other hand, the maintenance of the desired level of profits for capital has become increasingly dependent on the lowering of wages and the extraction of surplus-labour from the workers of the non-capitalist sector, leading to the articulation of capitalist and non-capitalist activity as part of one and the same process of accumulation.

As the analysis of the preceding pages has attempted to show, the contribution of the workers of the urban non-capitalist sector to the advancement of capitalist production and accumulation can take many forms. First of all, contrary to what the dualist hypothesis suggests, the examination of wages carried out in Chapter IV provided evidence in support of the hypothesis that in an economy with an abundant supply of labour such as that of Colombia the labour market for manual labour is competitive and that the so-called non-competitive factors are quite ineffective in keeping the level of wages well above the supply price of labour. Moreover, the evidence presented in Chapter IV also showed that low earnings are not an exclusive phenomenon of the non-capitalist sector as claimed by most dualist analysts and, more importantly, that the capitalist/non-capitalist sector distinction contributes very little to the explanation of the wide wage differentials that prevail in Colombia's four largest cities. In fact, a major finding of the analysis is that the existing wage differentials are better explained by the way in which workers confront the means of production and by their position within the class structure of Colombian society, as expressed by the notion of 'non-competing groups' introduced by Cairnes.

At a more general level, the analysis of Chapter IV suggests that a close relationship exists between the workers engaged in non-capitalist activity and both the functioning of the labour market and the maintenance of a low level of wages. However, it must be admitted that although an analysis of wage differentials at one moment in time provides evidence in support of the hypothesis that, in their capacity of reserve army of labour; the workers of the urban non-capitalist sector have exerted a downward pressure on the wage level by effectively competing in the labour market, is does not fully prove the hypothesis. To achieve this, further research is required on the level of wages through time and on the occupational histories of the work force.

An examination of wage differentials through time would allow us to establish the inter-relationship that exists between the cyclical fluctuations of the economy, the functioning of the labour market and the process of wage determination. In the Colombian case, however, this is a difficult task due to the lack of appropiate and consistent data that can be compared through time. A careful examination of the occupational histories of the work force, on the other hand, would help to confirm existing evidence concerning labour mobility between the capitalist and non-capitalist sectors of the Colombian urban economy, while at the same time allowing us to identify the circumstances and motives underlying the mobility of labour between these two sectors. Although at the time when most of the research work for this thesis was carried out by the author the data on the occupational histories of the 2,165 workers surveyed by 'Empleo y Pobreza' was not available, it must be admitted that the examination of this information is crucial in order to establish the extent to which labour mobility exists in the Colombian labour market.

In Colombia the maintenance of low wages is not only consistent with, but has been reinforced by, the pattern of accumulation adopted by the Colombian economy over the last three decades or so. During the 1950s and 1960s, the limited purchasing power of the working class was of little importance since the expansion of the most dynamic branches of industry, commerce and services was based on the market provided by the middle and high income groups. Since the late 1960s, however, the maintenance of low wages has assumed primary importance in so far as the expansion of production has been linked to the competitiveness of Colombian exports within the context of the government's export promotion policy. A link between the improvement in the competitive terms of Colombia's industrial products in the international markets and the reduction of real wages seems to have been established from 1971 onwards when the real wages of both manual and non-manual wage-earners of the industrial sector began to decline rapidly. For instance, between 1971 and 1975 industrial wages declined at an average annual rate of 4 per cent, while the share of total wages in value added declined from 40.8 per cent to 31.3 per cent. The result has been the further deterioration of the living standards of the working class, forcing a growing number of family members, especially women and the elderly, to engage in non-capitalist activity for the purpose of supplementing insufficient family incomes. It is this, more than the lack of dynamism in the capitalist sector in terms of job creation, that can help to explain the rapid growth of the urban non-capitalist sector of the Colombian economy in recent years.

In fact, it could be argued that the main contribution of the workers of the urban non-capitalist sector to the current advancement of capitalist production in Colombia stems not so much from their competing for jobs in the labour market but from the fact that, by

generating incomes in the context of non-capitalist relations of production, they are supplementing the maintenance and reproduction fund that capital elsewhere provides in the form of wages. One important aspect of the process of labour reproduction that has not been dealt with in this thesis concerns the contribution of the worker and his family to the lowering of labour reproduction costs through the performance of self-sufficiency tasks such as house construction, furniture-making, growing of home produce and a whole range of other household activities. Several authors have pointed out the significance of self-construction, for example, as a means of complementing low wages. Further research would be useful to establish the extent to which workers in Colombia resort to self-sufficiency activities outside the market economy in order to supplement low incomes.

This particular characteristic of the reserve army of labour, i.e. its ability to support itself, has been crucial to the advancement of capitalist production and accumulation in Colombia since it has provided capital with the flexibility it requires for lowering wages, especially in periods of rapid accumulation or, more importantly, in times of recession when profits are at stake. The fact that in Colombia's four largest cities 52.2 per cent of households are partially or totally dependent on earnings derived from non-capitalist activities is a clear indication that capital has not allowed this opportunity to escape. Thus, even though in Colombia the level of wages of a large fraction of the working class is already below the minimum required to secure the maintenance and reproduction of the labour force without damage to its working efficiency, capital has been able to expand at the expense of wages mainly because the process of maintenance and reproduction of labour takes place both in the context

of capitalist and non-capitalist relations of production. This situation, which arises from the particular characteristics of the development process in the less advanced capitalist economies, is not considered in any traditional theory of distribution. This is because those theories concern themselves with the factors of production, i.e. capital, labour and land, in the context of capitalist relations of production, leaving aside the effects that the articulation of capitalist and non-capitalist forms of production could have on the distribution of the social product in general and, in particular, between the 'necessary product' and the 'surplus product'.

Moreover, examination of the 'mixed' character of the process of maintenance and reproduction of labour in LDCs is important in so far as it could lead to a particular form of proletarianization that stands in striking contrast to the 'typical' proletarianization process associated mainly with the advanced capitalist economies. In these economies, the development of capitalism led to a gradual and continuous subsumption of labour by capital, the outcome of which has been both the absolute and relative increase in the size of the proletariat - the class which has been forced to sell its labour-power to the owners of the means of production. In Colombia, however, it seems that the character of the proletarianization process cannot be inferred only from the existence or non-existence of wage-relationships. In fact, one of the points that the analysis carried out in this study has hopefully shown is that, despite the existence of a large non-capitalist sector, and due to the 'mixed' conditions in which capital operates, the proletarianization process in Colombia cannot simply be seen in terms of incorporation into or exclusion from the dominant mode of production, according to whether or not a wage-relationship exists. Instead the process of proletarianization should be viewed as a continuous, though slow, process with an intermediate stage between the above-mentioned

extremes. This way of looking at the proletarianization process, also contrasts sharply with that provided by dualist approaches to urban development, particularly the Latin American School of Economic Marginality. On the assumption that the wage-relationship is the only form in which labour is subsumed by capital, the analysts of this School suggest that the continuity of the proletarianization process in the non-advanced capitalist economies, where capitalism dominates but lacks the dynamics of advanced capitalism, has been interrupted -at least temporarily- since a substantial part of the labour force has become superfluous for the exploitative needs of capital, thus constituing a 'marginal mass'. As regards the proletarianization process, then, the Colombian case does not seem to fit any of the two above-mentioned extreme characterizations due to the 'mixed' conditions in which capital operates, a result of the particular characteristics assumed by the process of capitalist development itself. However, further investigation of this point is needed to answer the following questions that, for some time now, the left of the Colombian labour movement has been asking: What is the position of non-capitalist workers in relation to the proletariat? To what extent, if at all, does a conflict of interests exist between these two sections of the working class?

Finally, the workers of the urban non-capitalist sector can also be seen as contributing to the process of development and accumulation of the Colombian economy through the specific content of their activities. Although the role of non-capitalist activity as a supplier of goods and services can only be studied through concrete case studies (it varies depending on the activity), a typology of ways in which capital benefits from the specific content of non-capitalist activities can be established. With the exception of the activities that provide personal services, capital benefits from the activities performed by non-capitalist workers in so far as: (i) the production

of cheap wage-goods for the working class reduces the cost of labour reproduction, (ii) the production of cheap inputs, raw materials and services for capitalist firms reduces costs of production and (iii) the provision of essential services such as transport and food retailing, which have to be supplied on a day to day basis to all members of the community but which is not always profitable by capitalist standards, saves capital from having to engage in unprofitable ventures that would only result in an increase of the overall cost of capitalist production and distribution at the expense of profits. In the context of the present study, however, we examined only the third case of this typology, with particular reference to the provision of food retailing services in Bogotá. We chose this activity for our case study since the activities that correspond to the first two cases have already received a considerable amount of attention in the literature. The importance of non-capitalist food retailing lies not only in the number of workers it involves, but also in that it is the single most important activity in which the capitalist sector relies upon non-capitalist activity. The examination of the consumption, expenditure and purchasing patterns of consumers, and of the operating costs and revenues of food retailing establishments carried out in Chapter VI showed that capitalist retailing is not an attractive proposition when it comes to serving the low income groups. This is not only because the form of commercialization and the trading and selling methods associated with large scale retailing are inappropriate to the specific needs of the low income groups, but also because the methods of trading and selling that respond to the needs of that fraction of the population are not profitable by capitalist standards. Thus far, the non-capitalist counterpart in the supply of food retailing services in Bogotá can be seen as part of an operational division of labour whereby

capital only attends to those retail operations which are profitable by capitalist standards, while leaving the 'unprofitable' task of selling food to that section of the market characterized by a low purchasing power to thousands of small, non-capitalist retailers who are prepared to provide the service at the cost of their own labour remuneration. In fact, the detailed examination of the accounts of retailers showed that non-capitalist retailers provide their services to the community at the expense of their own labour remuneration. Under-valuation of labour is the key to the non-capitalist retailer's ability to compete and survive. Indeed, the principles and motives guiding the economic activity of capitalist and non-capitalist retailers are very different. While the capitalist retailer bases his decision to remain in business on purely economic grounds and on exact financial calculations that provide for all the costs incurred in the running of the business plus the expected profit, the non-capitalist retailers see the possession of a business as a means of earning a living and securing food at wholesale prices. For the non-capitalist retailer, therefore, the business is 'profitable' in so far as it leaves him with an income which, however small, is a preferable alternative to unemployment. A corollary to this finding is that the methods employed in the analysis of the capitalist firm cannot be applied to the analysis of non-capitalist business due to the different logic under which each operates.

The logic of the non-capitalist retailer, and for that matter of any worker engaged in non-capitalist activity, suits capital extremely well in that these workers are prepared to reproduce their conditions of existence at the expense of their own labour remuneration. By so doing, they continue to supply the low income groups with food retailing services while capital serves the more profitable section

of the market. Moreover, apart from the fact that the existence of a non-capitalist counterpart in the supply of food retailing services saves capital from engagement in unprofitable ventures, there are other ways in which capital benefits from the work of thousands of non-capitalist retailers scattered throughout Bogota. Firstly, the average rate of profit of capital as a whole is increased in so far as the proportion of total capital devoted to the unproductive tasks of distribution is much lower than that which would be required if non-capitalist retailers did not exist. Secondly, capital is provided with an efficient system of distribution for its products, without having to incur any costs. Thirdly, the time of circulation of productive capital is shortened in so far as small retailers pay cash for their purchases, while the credit granted to capitalist retailers has the opposite effect. In short, the important point to realize is that in so far as the workers of the urban non-capitalist sector provide goods and services based on an undervaluation of their own labour and participate in the process of capital reproduction, an appropriation of surplus-labour is taking place, despite the fact that these workers do not sell their labour power to capital.

Apart from the provision of food retailing services, however, there are many other activities through which non-capitalist sector workers contribute to the advancement of capital accumulation. As has been shown by various authors, the workers of the non-capitalist sector also contribute to lower the costs of production through the provision of cheap inputs and services for capitalist firms and to the reduction of the value of labour through the provision of cheap wage-goods for the working class. Another aspect this thesis has not dealt with but which is equally important in the clarification of the articulation between capitalist and non-capitalist activity, concerns the role played by the rural counterpart of the urban non-capitalist sector as a provider of foodstuffs for the working class.

Moreover, a field in which further research is needed is in the quantification of the contribution of the non-capitalist sector to the economy by specific activities. This is important in so far as it would permit us to identify the areas in which the workers of the non-capitalist sector play a significant role as suppliers of goods and services. Although in Colombia the Central Statistical Office (DANE) is already studying the possibility of including some questions in the household survey that will permit the identification of the non-capitalist sector, the availability of data for measuring the real contribution of the non-capitalist sector to the economy remains the major obstacle in such an attempt.

At a more general level, however, this thesis has attempted to show that in so far as capital in Colombia reproduces itself both by appropriating the surplus-value created within the capitalist process of production proper and by appropriating part of the social product originating outside the realm of capitalist relations of production, the existence of urban non-capitalist activity as an inseparable aspect of the current process of capitalist development and accumulation in Colombia must be recognized. This approach stands in striking contrast to that of those analysts who present the phenomenon of urban productive heterogeneity in terms of a duality of 'traditional' and 'modern' economic systems, focussing

their analysis on the question of how to carry out the 'modernization' of the traditional sector so as to allow the development of the economy as a whole. Thus, by seeing a duality where there is a unity, and by ignoring the conflict of interests between capital and labour, dualist approaches have failed to grasp the specificity of the process of capitalist development in the less advanced capitalist economies.

As argued in Chapter I, the immediate explanation for this is the employment of orthodox development theory as a framework for analysis. Following the main propositions of development theory and its neo-classical underpinnings, dualist approaches identify the concept of development explicitly or implicitly, with the Western pattern of development. Within this perspective, the phenomenon of urban productive heterogeneity is seen as an 'imbalance' or 'disequilibrium' which must be rectified if the 'goal' of development is to be achieved, while the analysis of the development process is restricted to a discussion of the causes and extent of those 'structural imbalances' and 'serious deviations' from the 'desirable' or 'inevitable' development pattern, and to the identification of possible solutions to this temporary impasse in the course of development and, ultimately, of history.

A further deficiency of dualist approaches on urban development which the analysis of the present study has tried to highlight concerns the assumption of the existence of a dual labour market structure in the urban areas of developing economies. Dualist analysts suggest that, due to market imperfections which prevent the surplus population from competing for jobs in the primary market, the price of labour is kept well above its supply price. From the point of view of the consistency of neo-classical economics, this assumption is necessary if the existence of a surplus population is to be reconciled

with the assumption that labour is always rewarded according to its contribution to the value of production, i.e. marginal productivity, since the latter assumption relies in turn on the assumption that the economic system has a strong tendency to produce full employment. Thus, once the assumption about full employment is removed -as it is when the existence of an excess in the labour supply is recognized- there are no grounds to assume that labour is paid in accordance with its marginal productivity unless it is also assumed that a dual labour market structure exists which prevents the price of labour falling to its supply price. Therefore, by means of this assumption, the identity between wages and labour productivity continues to hold in the same way as under the assumption of full employment. But, as G. Kay point out, the assumption that labour is always rewarded according to its marginal productivity is the crucial assumption of neo-classical economic theory by which any possibility of exploitation or class struggle is excluded: if everyone is paid according to his contribution to the value of the social product, then no-one can gain anything that is not properly his.

It is thus concluded that there is a good case for breaking with the dualist approach to urban development and its main assumptions. This thesis has tried to show that a greater understanding of the Colombian process of capitalist development can be achieved by focussing on the articulation between the capitalist and non-capitalist sectors of the economy, rather than on any isolated segment. Although the Colombian situation has provided the specific context of this study, it is felt that the main conclusions of this thesis are broadly applicable to the reality of other Third World Countries.

Appendix A

The Sample in CEDE's Survey of Employment and Poverty[1]

The sample's primary unit for analysis for the 'household survey' was the house and for the 'worker's survey' the worker. The selection of the households to be included in the survey involved various procedures. Firstly, a socio-economic stratification of the districts in each city was carried out in terms of:

1. Average income of the inhabitants of the district.
2. Quality of housing.
3. Number of people per room in the household.
4. Services facilities (water, electricity, telephone, etc.)
5. Geographical location within the city.

Six socio-economic strata were then defined and ranked from low to high.

Secondly, the selection of the households entailed the following four stages:

- Selection of the districts in each socio-economic stratum using the method of systematic-random selection; the probability of selection being proportional to the population in each stratum (there are approximately 1840 districts in the four cities).
- Random selection of one or more blocks in each selected district, depending on the size of the latter (there are approximately 40,000 blocks in the four cities).
- Random selection of 4 to 2 houses in each block, depending on the socio-economic strata (only 2 were selected in the two higher strata: medium-high and high).

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[1] For a detailed explanation of the methodology followed in selecting the sample and its size, see U. Ayala and N. Marulanda, Empleo y Pobreza, Vol. II: "Memoria Metodológica", CEDE, University of Los Andes, Bogotá, July 1978.

- Selection of a household in each house (a house can comprise of more than one household, especially in the lower socio-economic strata).

The total 'number of households' in each city and socio-economic stratum was estimated in the following way. The 'total population' of each city was calculated for November 1977 by projecting the census data of 1973 using the following annual rates of growth:

- Bogotá 6.1%
- Medellín 4.7%
- Cali 4.9%
- Barranquilla 3.6%

These annual rates of growth were calculated from the census data of 1951, 1964 and 1973, corrected by subenumeration. A coefficient of the number of persons per household was also calculated (for each city and socio-economic stratum) based on the 'households surveys' made in 1976 and 1977 by the Compañía Colombiana de Datos (COLDATOS). These coefficients were applied to the 'total' population and the proportion of households according to city and socio-economic stratum was calculated. However, the final size of the 'households' sample was determined by the size of the 'workers' sample, since it was the statistical representation of the workers and not of the households that was sought in the survey. But, since a complete 'list of workers' does not exist, it was, therefore, necessary to resort to multi-stage selection which entails the following steps:

- Selection of the block.
- Selection of the house.
- Selection of the household.
- Selection of the worker.

The size of the sample of workers was estimated first, assuming that a random selection of workers can be made and it was then corrected against two sources of error: (i) the worker's multi-

stage selection process, already described, and (ii) non-response. Once the factors of correction were applied to both 'households' and 'workers' samples, it was decided that all the workers in the household should be surveyed. Thus, the size of the 'households' sample calculated in this form is a proportional representation of the population in each socio-economic stratum rather than of households. There were 1146 households and 2246 workers in those households surveyed.

Appendix B

Definition of Industry, Commerce and Services used by the Colombian Central Statistical Office (DANE) and other Institutions in Censuses Surveys and Assistance Programmes

Sector	Number of Workers	Value of Production	Value of Sales	Body or Authority	Year
Industry	5 or more workers	Over 24,000 pesos		DANE - Annual Survey	1958-
				- Monthly Survey	1962-
				- Censuses	1953, 1970
				Banco de La República - National Accounts	1950-
	10 or more workers	Over 31,250 pesos a/		Banco Popular - Assistance Programme	1966-
Commerce	1 or more workers			DANE - Censuses	1954, 1970
				- Special Survey	1967
	5 or more workers			DANE - Annual Survey	1955-1961
			over three million pesos per annum	DANE - Monthly Survey	Sept./70-Dec./73
Services	1 or more workers			DANE - Censuses	1954, 1970

a/ This figure refers to capital.

Sources: DANE, Boletín Mensual de Estadística, No. 224, March 1970, p.106.
Banco de La República, Departamento de Investigaciones Económicas, División de Cuentas Nacionales.
U.N.I.D.O., Small Scale Industry in Latin America, U.N., New York, 1969, p.52.
DANE, Boletín Mensual de Estadística, No. 276, October 1974, pp.182-205.
DANE, Comercio Interior - Inventario del Sector, DICEPRO, 1975.
DANE, Censo de Comercio y Servicios, 1954

Appendix C

Subprogramme BREAKDOWN of the Statistical Package for the Social Sciences (SPSS) [1]

In the context of the present study the subprogramme BREAKDOWN of SPSS was used to classify the population of workers in Colombia's four largest cities in accordance with five control or independent variables chosen as empirical indicators for distinguishing between capitalist and non-capitalist activity. As mentioned in Chapter III, both monthly and hourly earnings and week-hours were used as dependent variables in three different runs.

The output of subprogramme BREAKDOWN presents the total sum, mean, standard deviation and variance of the dependent variable (e.g. monthly earnings) for the entire population. These same statistics are then presented for each category or class of the first independent variable to be included in the sectorization, along with the number of cases falling into each sub-group. For subsequent independent variables, these same statistics are presented for each category of the variable within each combination of categories of the previous independent variable(s). The procedure can be best understood when presented in form of a tree as in Figure 1-C overleaf.

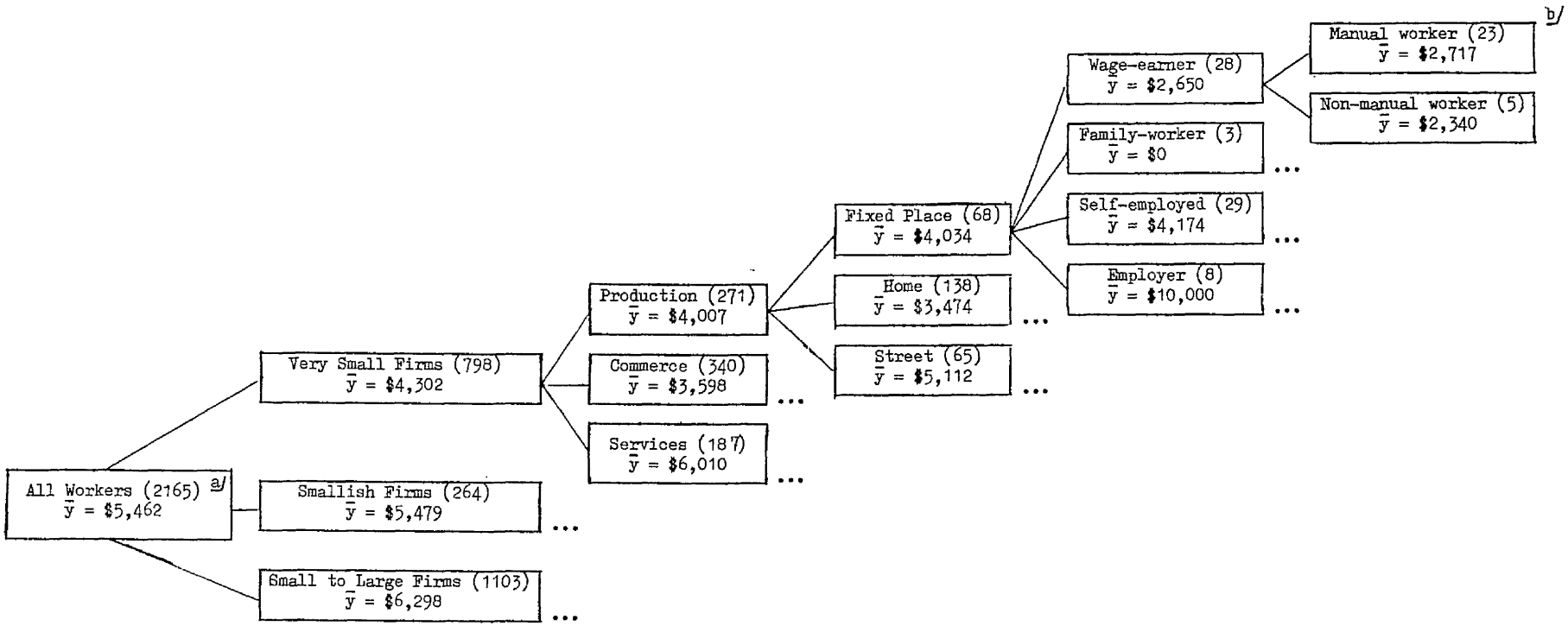
The tree in Figure 1-C was drawn using the results of the BREAKDOWN run using monthly earnings as the dependent variable. For clarity, however, only one branch of the tree is followed in Figure 1-C and only the number of cases and means are presented. It is important to remember that all the means within all the different sub-groups refer to monthly earnings, that is, the dependent variable.

Finally, it is worth noting that the BREAKDOWN presented in Figure 1-C has six dimensions, which is the maximum number of dimensions that can be used in any given BREAKDOWN Table - the dependent variable plus five independent or control variables. In practice, this means that the keyword BY can be used only a maximum of five times.

1 See N.H. Nie et.al., SPSS Manual, 2nd Edition, 1975, pp.249-66.

Figure 1-C

BREAKDOWN = Monthly Income by Size of Firm by Sector of Economic Activity by Place of Work by Occupational Category by Occupation (Bogotá, Cali, Medellín and Barranquilla:1977)



Population broken down by Size of Firm by Sector of Econ. Act. by Place of Work by Occupational Category by Occupation

1 Group → 3 Sub-groups → 9 Sub-groups → 27 Sub-groups → 108 Sub-groups → 216 Sub-groups

Keys: ( ) indicates the number of cases and $\bar{y}$ the average monthly income of the sub-group (pesos 1977).

a/ Missing cases: 74

b/ Thus, there are 23 manual workers who are wage-earners and who work in a fixed place employed by very small establishments of production. On average, this group of workers earned in November 1977 a monthly income of $2,717.

Source: CEDE's Survey of Employment and Poverty, 1977.

Appendix C-1

The Measurement of Incomes

In the Survey of Employment and Poverty workers were questioned about all sources of their labour income. As can be observed from the information contained in the questionnaire shown in Table 1 overleaf this included subsidies both in money and in kind and the whole range of fringe benefits indicated in question 48 of the questionnaire. The workers were then asked to state the total amount of their earnings during October 1977 before any of the deductions indicated in question 54 had been made and immediately thereafter were asked to state both the sources of that income and the type of deductions to which their income was liable during that month. The worker was also questioned on the representativeness of this income in relation to his income in the previous months of 1977.

However, although in the Survey of Employment and Poverty the workers were questioned firstly about the presence of all the various components of their income and, thereafter, about their 'total income before deductions', it is not clear what the answers on income include since, while some answered correctly, others forgot the transitory part of their income altogether and others included only part of their transitory income and forgot about other components. In order to identify some of the possible sources of bias, the project of 'Employment and Poverty' included a survey on 'Income Verification'. This second survey was applied to a sub-sample of almost 30 per cent of the workers of the major survey. Thus, for 625 workers two measurement of their income in October 1977 were made using two different methodologies.

Table 1: Questionnaire on Labour Income of the Survey of 'Employment and Poverty' carried out by CEDE in October 1977

S. ORGANIZACION DEL TRABAJO		T. INGRESO	
En el sitio en donde usted trabaja hay OTRAS PERSONAS que realicen LOS MISMOS OFICIOS, tareas o funciones que usted realiza?	En la ocupación que realiza tiene usted trabajadores bajo SU CONTROL O DIRECCION (Subalternos):	Durante el último mes o la última vez (mes) que trabajó, por cuál o cuáles de los siguientes subsidios recibió usted dinero: ANOTE TODAS LAS RESPUESTAS DEL INFORMANTE	Durante el último mes o la última vez (mes) que trabajó, cuál o cuáles de los siguientes ARTICULOS O SERVICIOS recibió de la empresa SIN PAGAR DINERO?: ANOTE TODAS LAS RESPUESTAS DEL INFORMANTE
44	45	46	47
SI HAY – SOLO HOMBRES? ( ) 1 – SOLO MUJERES? ( ) 2 – MAS HOMBRES QUE MUJERES? ( ) 3 – MAS MUJERES QUE HOMBRES? ( ) 4 – IGUAL HOMBRES QUE MUJERES? ( ) 5 – NO SABE LA PROPORCION? ( ) 6 NO HAY ( ) 7 NO SABE ( ) 8	SI ( ) 1 → CUANTOS? ___ NO ( ) 95	– TRANSPORTE? ( ) 1 – FAMILIAR? ( ) 2 – ALIMENTACION? ( ) 3 – VIVIENDA? ( ) 4 – EDUCACION ? ( ) 5 – OTRO, CUAL? _____ ( ) 6 – NINGUNO ( ) 7	– TRANSPORTE? ( ) 1 – ALMUERZO Y/O COMIDA? ( ) 2 – VIVIENDA? ( ) 3 – VESTIDO Y/O CALZADO? ( ) 4 – MEDICINAS? ( ) 5 – EDUCACION? ( ) 6 – OTRO, CUAL? _____ ( ) 7 – NINGUNO? ( ) 8
SI HAY – SOLO HOMBRES? ( ) 1 – SOLO MUJERES? ( ) 2 – MAS HOMBRES QUE MUJERES? ( ) 3 – MAS MUJERES QUE HOMBRES? ( ) 4 – IGUAL HOMBRES QUE MUJERES? ( ) 5 – NO SABE LA PROPORCION? ( ) 6 NO HAY ( ) 7 NO SABE ( ) 8	SI ( ) 1 → CUANTOS? ___ NO ( ) 95	– TRANSPORTE? ( ) 1 – FAMILIAR? ( ) 2 – ALIMENTACION? ( ) 3 – VIVIENDA? ( ) 4 – EDUCACION ? ( ) 5 – OTRO, CUAL? _____ ( ) 6 – NINGUNO ( ) 7	– TRANSPORTE? ( ) 1 – ALMUERZO Y/O COMIDA? ( ) 2 – VIVIENDA? ( ) 3 – VESTIDO Y/O CALZADO? ( ) 4 – MEDICINAS? ( ) 5 – EDUCACION? ( ) 6 – OTRO, CUAL? _____ ( ) 7 – NINGUNO? ( ) 8
SI HAY – SOLO HOMBRES? ( ) 1 – SOLO MUJERES? ( ) 2 – MAS HOMBRES QUE MUJERES? ( ) 3 – MAS MUJERES QUE HOMBRES? ( ) 4 – IGUAL HOMBRES QUE MUJERES? ( ) 5 – NO SABE LA PROPOR-	SI ( ) 1 → CUANTOS? ___ NO ( ) 95	– TRANSPORTE? ( ) 1 – FAMILIAR? ( ) 2 – ALIMENTACION? ( ) 3 – VIVIENDA? ( ) 4 – EDUCACION ? ( ) 5 – OTRO, CUAL? _____ ( ) 6 – NINGUNO ( ) 7	– TRANSPORTE? ( ) 1 – ALMUERZO Y/O COMIDA? ( ) 2 – VIVIENDA? ( ) 3 – VESTIDO Y/O CALZADO? ( ) 4 – MEDICINAS? ( ) 5 – EDUCACION? ( ) 6 – OTRO, CUAL? _____ ( ) 7

T. INGRESO

Por este trabajo en esta empresa le van a PAGAR O DAR:	A usted le pagan su sueldo, salario o jornal a DESTAJO (por pieza o servicio)?	LE EXIGEN la realización de UN MINIMO DE TAREAS, piezas o servicios, por día, semana o mes?	CUANTO GANO EN EL ULTIMO MES SIN QUITAR LOS DESCUENTOS que le hicieron en la empresa o establecimiento en donde trabajó la semana pasada o la última vez que trabajó?
– PRIMAS LEGALES? ( ) 1 – CESANTIAS? ..... ( ) 2 – VACACIONES? .... ( ) 3 – SUELDOS EXTRALEGALES?..... ( ) 4 – PRIMAS EXTRALEGALES? ..... ( ) 5 – VACACIONES EXTRALEGALES?.... ( ) 6 – PARTICIPACIONES?. ( ) 7			
48	49	50	51

COD.	NO	SI	N.S.
1	( ) 1	( ) 2	( ) 3
2	( ) 1	( ) 2	( ) 3
3	( ) 1	( ) 2	( ) 3
4	( ) 1	( ) 2	( ) 3
5	( ) 1	( ) 2	( ) 3
6	( ) 1	( ) 2	( ) 3
7	( ) 1	( ) 2	( ) 3

SI TOTALMENTE.. ( ) 1
SI PARCIALMENTE. ( ) 2
NO ..... ( ) 3

SI ( ) 1
NO ( ) 2

$ |_|_|_|_|_|

SI NO TIENE INGRESO MARQUE 99995

PASE A PREGUNTA No. 53

COD.	NO	SI	N.S.
1	( ) 1	( ) 2	( ) 3
2	( ) 1	( ) 2	( ) 3
3	( ) 1	( ) 2	( ) 3
4	( ) 1	( ) 2	( ) 3
5	( ) 1	( ) 2	( ) 3
6	( ) 1	( ) 2	( ) 3
7	( ) 1	( ) 2	( ) 3

SI TOTALMENTE.. ( ) 1
SI PARCIALMENTE. ( ) 2
NO ..... ( ) 3

SI ( ) 1
NO ( ) 2

$ |_|_|_|_|_|

SI NO TIENE INGRESO MARQUE 99995

PASE A PREGUNTA No. 53

COD.	NO	SI	N.S.
1	( ) 1	( ) 2	( ) 3
2	( ) 1	( ) 2	( ) 3
3	( ) 1	( ) 2	( ) 3
4	( ) 1	( ) 2	( ) 3

SI TOTALMENTE.. ( ) 1
SI PARCIALMENTE. ( ) 2
NO ..... ( ) 3

SI ( ) 1
NO ( ) 2

$ |_|_|_|_|_|

T. INGRESO

En el ULTIMO MES cuál fue LA GANANCIA que le dejó el negocio en que trabajó la semana pasada o la última vez que trabajó?	En el ULTIMO MES de cuál o cuáles de las siguientes FUENTES obtuvo ese ingreso o esa ganancia? SI CODIGOS 01 A 09 PASE A 54 SI CODIGO 10 PASE A 55	De los siguientes DESCUENTOS regulares que le hacen de su sueldo o salario cuál o cuáles le hicieron durante el ULTIMO MES :	Cuál fue el ULTIMO MES en que recibió ese PAGO?
52	53	54	55
$ ____ SI NO TIENE INGRESO MARQUE 99995	- SALARIO, SUELDO O JORNALES? . . . ( ) 01 - HONORARIOS? . . ( ) 02 - COMISIONES? . . . ( ) 03 - BONIFICACIONES? ( ) 04 - PROPINAS? . . . . . ( ) 05 - HORAS EXTRAS? ( ) 06 - DOMINGOS Y FESTIVOS TRABAJADOS? . . . . . ( ) 07 - GASTOS DE REPRESENTACION? ( ) 08 - VIATICOS? . . . . . ( ) 09 - DEL TRABAJO INDEPENDIENTE? . . ( ) 10	- RETENCION EN LA FUENTE? . . . ( ) 1 - FONDO DE EMPLEADOS? . . . . ( ) 2 - SINDICATOS? . . . ( ) 3 - SEGURO SOCIAL O CAJA NACIONAL DE PREVISION? . . . . . ( ) 4 - OTROS SEGUROS? ( ) 5 - PAGO DE PRESTAMOS? . . . . . ( ) 6 - NINGUNO? . . . . ( ) 7 - OTRO, CUAL? _____ _____ ( ) 8	_____ MES ___ COD. - TRABAJO MENOS DE UN MES ( ) 95 NO SABE ( ) 96
$ ____ SI NO TIENE INGRESO MARQUE 99995	- SALARIO, SUELDO O JORNALES? . . . ( ) 01 - HONORARIOS? . . ( ) 02 - COMISIONES? . . . ( ) 03 - BONIFICACIONES? ( ) 04 - PROPINAS? . . . . . ( ) 05 - HORAS EXTRAS? ( ) 06 - DOMINGOS Y FESTIVOS TRABAJADOS? . . . . . ( ) 07 - GASTOS DE REPRESENTACION? ( ) 08 - VIATICOS? . . . . . ( ) 09 - DEL TRABAJO INDEPENDIENTE? . . ( ) 10	- RETENCION EN LA FUENTE? . . . ( ) 1 - FONDO DE EMPLEADOS? . . . . ( ) 2 - SINDICATOS? . . . ( ) 3 - SEGURO SOCIAL O CAJA NACIONAL DE PREVISION? . . . . . ( ) 4 - OTROS SEGUROS? ( ) 5 - PAGO DE PRESTAMOS? . . . . . ( ) 6 - NINGUNO? . . . . ( ) 7 - OTRO, CUAL? _____ _____ ( ) 8	_____ MES ___ COD. - TRABAJO MENOS DE UN MES ( ) 95 NO SABE ( ) 96
$ ____	- SALARIO, SUELDO O JORNALES? . . . ( ) 01 - HONORARIOS? . . ( ) 02 - COMISIONES? . . . ( ) 03 - BONIFICACIONES? ( ) 04 - PROPINAS? . . . . . ( ) 05 - HORAS EXTRAS? ( ) 06 - DOMINGOS Y FESTIVOS TRABAJA-	- RETENCION EN LA FUENTE? . . . ( ) 1 - FONDO DE EMPLEADOS? . . . . ( ) 2 - SINDICATOS? . . . ( ) 3 - SEGURO SOCIAL O CAJA NACIONAL DE PREVISION? . . . . . ( ) 4	_____ MES ___ COD.

T. INGRESO

Por este trabajo durante cuántos meses del año 1977 ganó MAS de lo que ganó en el ULTIMO MES?	Por este trabajo durante cuántos meses del año 1977 ganó MENOS de lo que ganó en el ULTIMO MES?	Durante CUANTOS MESES de 1977 ha recibido ingresos por trabajos en ESTA EMPRESA (o por su trabajo independiente)?	Además de los ingresos por los trabajos que realizó la semana pasada o por los que habitualmente hace, ha tenido usted este año OTROS INGRESOS COMPLEMENTARIOS por trabajos diferentes?	Ese o esos trabajos FUERON ALGUNOS de los de la semana pasada o de la última semana en que trabajó?
56	57	58	59	60
MESES NINGUNO ( ) 95	MESES NINGUNO ( ) 95	MESES	SI ( ) 1 → A 60 NO ( ) 2 → A 61	SI: ( ) → CUAL: _____ NO: ( ) → DE QUE OFICIOS O TRABAJOS CONSIGUIO ESE INGRESO? _____
MESES NINGUNO ( ) 95	MESES NINGUNO ( ) 95	MESES	SI ( ) 1 → A 60 NO ( ) 2 → A 61	SI: ( ) → CUAL: _____ NO: ( ) → DE QUE OFICIOS O TRABAJOS CONSIGUIO ESE INGRESO? _____
MESES NINGUNO ( ) 95	MESES NINGUNO ( ) 95	MESES	SI ( ) 1 → A 60 NO ( ) 2 → A 61	SI: ( ) → CUAL: _____ NO: ( ) → DE QUE OFICIOS O TRABAJOS CONSIGUIO ESE INGRESO? _____

A different methodology from the one used in the main survey of 'Employment and Poverty' (where the workers declared their income) was designed so as to gather information for verification on incomes over the same period of reference: October 1977. In the survey on 'Income Verification' two different questionnaires were used according to the occupational status of the workers being surveyed:

a) Wage-earners: the verification was made through the establishment where the worker was engaged in October 1977; the information on incomes being obtained from the pay-roll of the establishment where possible or from the employer himself.

b) Self-employed and employers: by means of personal interviews with the workers, detailed information was obtained on 'expenditure' and 'total revenue' of the business during October 1977. The difference between these two amounts provided the 'profits' or 'earnings' of these workers during the period of reference.

Table 2 overleaf summarizes the results obtained in both the original survey and the income verification survey for 15 categories of workers defined according to their level of income and occupational status. It must be emphasized, however, that the results obtained in each survey are not strictly comparable given the different nature of the biases inherent in each measurement, as we shall see below. They only constitute two different forms of measuring 'income' and the results only show that, depending on the methodology used, the information obtained when measuring the same variable differs. We shall now discuss the results of the two surveys presented in Table 2 in relation to two groups of workers: wage-earners and both self-employed and employers.

Wage-earners: The information on incomes in October 1977 was gathered through two different sources: the workers (Survey of Employment and Poverty) and the enterprise (Income Verification Survey). In part,

Table 2 Average Monthly Income in Two Surveys: 'Employment and Poverty' and 'Income Verification' Surveys

	Categories	No. of cases	Employment and Poverty: Monthly income (pesos)	Employment and Poverty: Standard deviation (pesos)	Income Verification: Monthly income (pesos)	Income Verification: Standard deviation (pesos)
	Wage-earners					
01	less than 1,500	133	1,153	274	2,135	1,054
02	1,501 to 2,500	124	2,185	511	2,964	2,490
03	2,501 to 5,000	156	3,760	1,066	4,419	2,177
04	5,001 to 10,000	73	6,900	1,238	7,318	4,652
05	10,001 to 15,000	24	13,271	1,590	14,000	4,663
06	more than 15,000	22	22,909	6,043	24,809	17,042
	Sub-total	432	5,143	1,158	5,887	3,494
	Self-employed					
07	less than 1,000	23	700	283	922	759
08	1,001 to 2,500	35	1,863	419	1,629	1,615
09	2,501 to 5,000	43	3,849	797	4,851	7,320
10	5,001 to 15,000	22	8,545	2,465	6,268	7,389
11	more than 15,000	2	25,000	-	16,750	-
	Sub-total	125	3,878	877	3,666	4,410
	Employers					
12	less than 4,000	16	3,187	744	2,331	4,322
13	4,001 to 10,000	25	8,028	1,702	14,424	31,988
14	10,001 to 20,000	14	15,429	2,802	26,159	76,449
15	more than 20,000	14	32,714	12,498	107,838	226,558
	Sub-total	69	13,416	3,325	32,954	74,072
	Total	625	5,812	1,343	8,440	11,475

Source: U.Ayala and N.Marulanda, Empleo y Pobreza, Vol. II:"Verificación de Ingresos", CEDE, University of Los Andes, Bogotá, July 1978, pp. 6, 21, 25-26, 47-50.

the different answers obtained in each case can be explained by the fact that the workers answered what they remembered to be their income and the enterprise what was registered on the pay-roll. The unanswered question, however, is what is the source of the difference between these two answers to the same question. After an examination of the responses case by case in terms of income components (wages, bonuses, commissions, subsidies, tips, etc.), it was found that, while the enterprises were able to disaggregate the payment to labour into all its parts, the worker usually dealt with a global amount which he considered to be his income and which might or might not include payments for over-time, tips and a whole range of fringe benefits to which the worker is entitled. Thus, the underestimation of income by wage-earners can be explained by the fact that they tend to give information about the fixed part of their income and usually forget about the extras that go with it, especially if they are not paid regularly and more so if they are not paid in cash. However, given the fact that some workers answered correctly while others did not, the information on incomes obtained in both surveys is not strictly comparable and, more importantly, the exact magnitude of the bias involved cannot be measured. It should be borne in mind, however, that what the worker perceives to be his regular income (usually associated with what he receives in cash) is the main determining factor of his expenditure pattern and will greatly influence his decision to change jobs.

Self-employed and employers: For these workers, who do not sell their labour power, the concept of 'monthly income' differs from that of wage-earners. Since these workers do not operate under a formal scheme of remuneration, the concept of income is interpreted in a variety of ways. Moreover, these workers can rarely give an exact reply regarding their level of income since they often do not know it themselves. For instance, income might be 'what the worker takes out every month from the business for his living' or 'what the business is left with after all the costs have been accounted for'. At low

levels of income, this type of worker generally takes what he and his family require for their livelihood from the business' till as the need arises, usually on a daily basis. The meesurement of income is further complicated by the fact that the expenditure of the family and the business are interwoven and cannot be separated, e.g. rent, water, electricity, and so on. Another example of this sort is that in which the owner and his family consume part of the commodities in which the business deals without keeping any accounts of that consumption, e.g. small grocery shops, market-place retailers, and so on. All these factors make for the non-comparability of the two answers obtained on incomes by the two separate surveys.

In the survey of Employment and Poverty the worker gave a certain amount as their monthly income. Their reply, however, should be expected to differ from their 'real income' on account of the following three factors. Firstly, the self-employed and employers in small businesses do not usually keep detailed accounts of their businesses. Secondly, in many instances personal consumption is interwoven with 'business expenditure'. Thirdly, these workers do not necessarily operate on a monthly income basis: some operate on a daily basis and some operate on a basis even longer than a month; and a quarterly or semiannual income (sub-contracting, crops, etc.) cannot always be easily expressed on a monthly basis. In addition, the credit operations in which these workers are involved represent an additional complication for the measurement of their income over a fixed period of time.

In the survey on Income Verification, on the other hand, the detailed expenditure accounts of the business and the total revenue generated by sales or services rendered during the month of October 1977 were requested. However, according to observations made by the workers themselves, the amount obtained by this method does not represent the real figure either. The following problems seemed

to appear with this form of measurement. Firstly, the role of inventories, investments and the strategy of accumulating inventories to cope with peaks of demand are not considered. This further confirms the existing problem with periods of reference since the business' period of reference does not necessarily correspond to a monthly basis. Secondly, the information on expenditure is mainly concerned with short-term expenditures and threfore long-term expenditures such as depreciation, taxes and repairs are rarely included. Thirdly, although the information was sought for the month of October, the answers seem to suggest that the workers' replies were related to current expenditure like increasing inventories to cover demand peaks (Christmas being the most important) and expenditures for improving the building which do not constitute typical monthly expenditures. When the workers were asked if they considered these expenditures as representative of their monthly expenditure, most of them gave a positive answer, which suggests that they misunderstood what was meant by a typical monthly period of reference.

In short, with regard to the self-employed and employers, the two surveys carried out by CEDE on incomes showed that, given the enormous problems involved in measuring the income of this group of workers, it is difficult to establish whether their income is overestimated or underestimated. The measurement of incomes is further complicated by the fact that in the majority of cases the workers themselves do not know the exact figure that constitutes their income, which varies from month to month depending on several factors such as the level of demand for their products or services, the conditions of the market, levels of cost, and so on.

Having carried out a verification survey using a different methodology and source, it was felt that no further clarification could be gained by further questioning. It is clear, however,

that, although a priori one tends to assume that in surveys incomes are usually underestimated, in practice the establishment of the type and form of the biases regarding income information presents enormous problems. This is not only because the information on incomes given by the workers is affected by considerations of what workers believe they ought to earn, their perceptions of income as an indicator of 'social status' and their fears that the information might be used for tax purposes, but also because the form of the bias varies among workers depending on their level of income and the form of payment of those incomes, their occupational status, their level of education, their age, sex and so on. Moreover, the comparison of the results obtained in the two surveys (for the same sample of workers and using the same period of reference) shows that the magnitude of the incomes declared by the workers is highly sensitive to the methodology used in obtaining the information. However, given that any methodology used to measure that variable introduces a bias or biases of a certain type, although possibly correcting others, it cannot be said which methodology is better; the measuring of incomes remaining one of the major unsolved problems of survey techniques. Thus, the magnitude and direction of the bias of the information on incomes not only remains uncertain but is also difficult to measure since it varies according to the methodology used to obtain it.

The information on labour income used in this study, then, is based on what the worker declared to be his total income during October 1977 before deductions were made. We have examined the possible sources of bias that might affect this information and concluded that the bias cannot be measured due to enormous problems concerning the measurement of income, which cannot be easily overcome. Nonetheless, assuming that the workers gave the information in good faith, we are dealing here with what the worker perceives to be his income, usually associated with what he receives in cash regularly.

Appendix D

Table 1

Percentage Composition of the Consumption Basket of a Typical Worker's Family

			%
A.	Food		50.29
	a) Non-processed agricultural products:		
	Wheat	4.08	
	Rice	4.33	
	Potatoes	3.15	
	Plantain	1.53	
	Maize	2.66	
	Yucca	1.07	
	Black Beans	0.92	
	Panela	2.49	
	Other staples and cereals	0.99	
	Vegetables	1.90	
	Fruits	0.71	
	Sub-total	23.83	
	b) Processed agricultural products:		
	Sugar	0.85	
	Coffee	1.35	
	Chocolate	1.35	
	Sub-total	3.55	
	c) Livestock and by-products	20.75	
	d) Others	2.16	
B.	Housing[1]		23.55
C.	Clothing[2]		9.93
D.	Miscellaneous[3]		16.23
			100.00

1. According to DANE's estimates 63 per cent of worker's expenditure in housing corresponds to rent and 37 per cent to monthly instalments devoted to the acquisition or the construction of houses.
2. Includes footwear.
3. Includes fuel, education, health, transport and the like.

Source: DANE, "Canasta Familiar e Indices de Precios al Consumidor: Obreros" (Base 1954/1955), Revista de Economía y Estadística, No. 85, 1958, pp. 291-341.

Table 2

Estimated Value of the Consumption Basket of a Typical Worker's Family of Six Persons at Prices of October 1977: Bogotá, Cali, Medellín and Barranquilla

	Value of Wage-earners Consumption Basket at July 1954/June 1955 Prices (pesos) (1)	October 1977 Wage-earners Price Index (July 1954/ June 1955=100) (2)	Value of wage-earners Consumption Basket at Oct. 1977 Prices (pesos) (1)x(2)
Bogotá	328.34	1707.2	5,605.42
Cali	389.84	1882.7	7,339.52
Medellín	379.56	1748.9	6,638.12
Barranquilla	337.98	1929.9	6,522.68
Arithmetic Average	358.93	1817.2	6,522.37
Weighted Average [1]	350.24	1771.2	6,215.38

1. The weighting factors used in the construction of the weighted average were taken from the 1973 Census of Population and correspond to the percentage distribution of households in the three lower socio-economic strata (61.3 per cent of all households) among the four major Colombian cities. These factors are: Bogotá (.5206), Cali (.1817), Medellín (.1889) and Barranquilla (.1088).

Source: DANE, "Canasta Familiar e Indices de Precios al Consumidor: Obreros", (Base 1954/1955), Revista de Economía y Estadística, No. 85, 1958, pp. 291-341; Banco de La República, Revista del Banco de La República, Vol. LI, No. 611, September 1978; and DANE, XIV Censo Nacional de Población y III de Vivienda - 1973: Avance Muestreal de la Población, Bogotá, August 1975.

Appendix E

Table 1

Observed Distribution of Household Monthly Income of All Households and of Households by Source of Income

(in percentages)

Income Range	CSIH	NCSIH	MSIH	ALL
0 - 2.000	4.7	9.6	-	4.7
2.000 - 4.000	17.9	25.0	6.5	16.8
4.000 - 6.000	16.0	21.9	16.1	17.6
6.000 - 8.000	10.4	11.6	12.0	11.2
8.000 - 10.000	9.1	12.0	12.3	10.7
10.000 - 15.000	13.8	9.6	22.3	14.9
15.000 - 20.000	6.7	3.1	9.2	6.4
20.000 - 25.000	4.9	1.4	7.5	4.6
25.000 - 30.000	3.9	2.4	3.1	3.3
30.000 - 35.000	2.4 [1]	0.7 [1]	2.7 [1]	1.8
35.000 - 40.000	2.3 [1]	0.7 [1]	2.1 [1]	2.0
40.000 - 45.000	2.3 [1]	0.7 [1]	2.1 [1]	1.6
45.000 - 50.000	2.3 [1]	0.3 [1]	2.1 [1]	2.0
Over 50.000 [2]	3.3	1.0	2.0	2.4

Abbreviations used:

CSIH - Capitalist Source Income Household

NCSIH - Non-capitalist Source Income Household

MSIH - Mixed Source Income Household

1 These figures were interpolated by the graphic method of logarithmic paper using a reasonably large scale.

2 Note that this bracket of the distribution is open.

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty.

Table 2

Observed Distribution of Household Monthly Income of All Households and of Households by Source of Income among:

A. Poorer 60 per cent of households (in percentage)

Income Range	CSIH	NCSIH	MSIH	ALL
0 - 2.000	8.0	12.0	-	7.8
2.001 - 4.000	30.8	31.2	13.9	27.5
4.001 - 6.000	27.6	27.4	34.3	28.8
6.001 - 8.000	17.9	14.5	25.5	18.3
8.001 - 10.000	15.7	14.9	26.3	17.6
Total	100.0	100.0	100.0	100.0

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty.

B. Top 40 per cent of households: Pareto Distribution (number of cases)

Lower Limits of income classes (pesos)	Number of incomes cumulated			
	CSIH	NCSIH	MSIH	ALL
>10.000	224	58	155	437
>15.000	150	30	90	270
>20.000	114	21	63	198
>25.000	88	17	41	146
>30.000	67	10	32	109
>35.000	54	8	24	89
>40.000	42	6	18	67
>45.000	30	4	12	49
>50.000	18	3	6	27

Source: Calculated by the author based on primary data collected by CEDE's Survey of Employment and Poverty.

Table 3

Accumulated Distribution of Per-capita Income by Types of Households at Different Stages of their Life Cycle (in percentage)

Income Range (pesos)	Young				Intermediate				Mature			
	CSI	NCSI	MSI	ALL	CSI	NCSI	MSI	ALL	CSI	NCSI	MSI	ALL
≤250	2.1	1.4	-	1.5	4.2	2.1	-	2.6	2.3	2.7	-	1.5
≤500	8.3	8.3	4.7	7.6	13.4	16.5	5.7	12.4	7.7	9.5	3.1	6.3
≤750	17.9	36.1	16.3	22.5	25.3	34.3	13.9	25.1	15.5	14.9	11.0	13.6
≤1.000	25.4	55.5	30.2	34.4	36.8	52.1	27.9	38.9	26.4	35.2	25.2	27.8
≤1.500	45.3	72.2	41.9	52.0	52.9	68.5	46.7	55.7	41.1	59.5	56.7	51.1
≤2.000	50.8	84.7	58.1	61.2	65.5	78.8	63.1	68.6	53.5	73.0	67.7	63.7
≤2.500	57.6	88.9	65.1	67.3	70.1	80.5	72.9	73.9	60.5	86.5	70.9	70.7
≤3.000	63.1	88.9	67.4	70.7	73.9	84.2	80.3	78.2	65.9	91.9	77.9	76.3
≤3.500	69.9	90.3	69.8	75.3	77.7	86.9	82.8	82.5	72.1	93.3	80.3	80.0
≤4.000	76.7	90.3	72.1	79.5	82.3	89.6	84.4	84.8	74.4	96.0	81.9	82.0
≤5.000	78.8	94.5	81.4	83.7	87.7	92.3	88.5	89.1	80.6	97.4	85.8	86.2
≤6.000	81.5	94.5	88.4	86.0	90.4	94.4	93.4	92.1	85.3	98.8	87.4	88.9
≤7.000	85.6	95.9	93.0	89.4	92.7	97.7	97.5	95.1	86.9	100.0	89.8	90.7
≤8.500	89.7	95.9	95.3	92.1	95.0	97.8	98.4	96.2	90.0		92.1	92.8
≤10.000	95.2	95.9	100.0	95.9	96.1	98.5	98.4	97.1	93.1		94.5	94.9
≤12.000	97.9	97.3		97.8	96.9	98.5	98.4	97.5	98.5		98.4	98.5
>12.000	100.0	100.0		100.0	100.0	100.0	100.0	100.0	100.0		100.0	100.0

Source: Calculations by the author based on primary data collected by CEDE's Survey of Employment and Poverty.

Appendix F

CID's Survey of Bogotá's Food Distribution System

Sponsored by the Corporación de Abastos (CORABASTOS),[1] the Centro de Investigaciones para el Desarrollo (CID) of the National University undertook an in-depth survey of Bogotá's food distribution system in November/December 1970. Three different surveys were carried out as part of a project involving 755 households, 220 retailers and 787 wholesalers. In addition, detailed information on the prices of 14 basic foodstuffs in 217 different establishments was obtained through direct questioning and observation. The data is statistically reliable and the representativeness of the samples in relation to the population is, in general, statistically acceptable. However, the data on supermarkets should be considered with some caution since CARULLA S.A. (the largest chain of supermarkets in Bogotá) emphatically refused to participate in the survey, despite the numerous attempts by CID to persuade them to do so. Nonetheless, this deficiency can largely be rectified with information concerning the operations of CARULLA S.A. obtained from other sources. Firstly, from the information provided by CID's consumers' survey. Secondly, from DANE's 1967 Census of Trade in which CARULLA S.A. can easily be identified, since it stands alone in the highest bracket of sales when the establishments are classified by size of sales. Thirdly, from an interview held by the author with one of the managers of CARULLA S.A. during fieldwork in Bogotá. We shall turn now to consider the main methodological aspects of the sampling techniques used in the consumers' and retail establishments' surveys respectively.

(i) Consumers' Survey [2]

This Survey aimed at obtaining extensive information on the consumption, expenditure and shopping habits of the consumers in Bogotá. Between the 15th November and the 12th December 1970,

755 households were surveyed. The main criterion used in the design of the sample was the socio-economic position of the population. This criterion is used in Colombia in the design of all household surveys and, as in the case of CEDE's household surveys, the relevant information concerning the stratification of the population is provided by the Central Statistical Office (DANE). DANE's and CID's distribution of households by socio-economic position can be seen in Table 1.

(ii) Food Retailing Establishments' Survey [3]

This survey aimed at obtaining information on (i) the general characteristics of the business (i.e. hours of business, number of people employed, area occupied by the shop, and the like); (ii) the overall economic performance of the business (i.e. costs, sales, prices and pricing policies, sources of finance, and so on); and (iii) the links of the business with manufacturers and wholesalers (i.e. purchasing practices, use of credit facilities, storage capacity, and so on). As part of this survey a total of 227 establishments were interviewed: 39 grocery shops, 81 specialists shops, 59 market-place stall holders, 17 market-place mobile sellers, 4 grocery shops in the market-place, 12 supermarkets and 15 co-operative stores. The main criterion used in the design of the sample was the location of the shops in relation to the distribution of the different socio-economic groups.

1. Grocery and Specialist Shops

The sample of grocery and specialist shops to be surveyed by CID was designed on the basis of the information contained in DANE's 1967 Survey of Trade. Their universe of shops was checked by CID and brought up to date. A sub-sample of 816 establishments was then taken from DANE's universe of shops using as criteria both the type of business and their location in the low, middle and high income

Table 1

DANE's and CID's Distribution of Households by Socio-Economic Strata, Bogotá 1970

Socio-economic Strata	DANE's estimation of Bogotá's population in November 1970 a/		DANE's estimation of Bogotá's number of families in November 1970 b/		Number of CID's surveys c/		Share of CID sample as % of the share of DANE's sample d/
	(1)	(2) (%)	(3)	(4) (%)	(5)	(6) (%)	(7) = (6/4) (%)
Low	1.260.435	49.7	215.827	49.8	392	51.9	104.2
Medium	1.030.689	40.6	177.398	40.9	304	40.3	98.5
Upper	245.740	9.7	40.087	9.3	59	7.8	83.9
Total	2.536.864	100.0	433.312	100.0	755	100.0	

Notes and Sources:

a/ DANE's estimation of the population based on the figures of the 1964 Population Census and in an annual geometrical rate of growth of 6.929 per cent. (DANE, Boletín Mensual de Estadística, No. 229. August 1970.)

b/ Based on DANE's estimation of the population (column 1) and on the average size of family of 5.84, 5.81 and 6.13 persons in the low, medium and upper strata respectively found by CID household survey. The average size of Bogotá's families found by CID in November 1970 was 5.85 persons, which is very similar to that found by CEDE's survey of Employment and Poverty in November 1977 for Bogotá: 5.75 persons per household.

c/ These 755 households covered 4417 persons (0.174 per cent of the estimated total population), which means that the size of the sample is approximately 1/575.

d/ The overestimation of the lower strata and the underestimation of the upper strata in CID's sample compared with that of DANE is basically explained by the different ratios of non-response shown by the different socio-economic groups: while the lower and middle strata showed a rate of non-response of 3.2 per cent and 3.5 per cent respectively, the upper stratum showed a rate of non-response of 26.2 per cent. On the whole, however, these biases are not significant enough to upset the representativeness of CID's sample in relation to the population.

districts of the city. These shops were visited and those which had disappeared were replaced by the nearest similar shop. The number of grocery and specialist shops finally chosen by CID for in-depth questioning was 120: 39 grocery shops, 13 butchers shops, 13 bakeries, 15 delicatessen (rancho y licor), 13 poultry shops, 15 dairies and 12 graneros. The distribution of DANE's 816 establishments sample and CID's 120 establishments sample is shown in Table 2.

As can be seen from this Table, in CID's Retail Establishments' Survey both the grocery and specialist shops that operate in low income districts are under-represented (except for the bakeries), while those located in the high income districts are over-represented. Statistically, however, this problem is not so important since the purpose of the survey was to obtain detailed information about the organizational aspects of the firm. In any case, as far as the results of the present study are concerned, the fact that it is the shops in low income districts that are under-represented only confirms further our hypothesis concerning the role of the small retailer in Bogotá's system of food distribution. Since the shops located in high income districts tend to be, on average, much larger than those located in low income districts, it is fair to assume that in reality the typical grocery or specialist shop operating in Bogotá is smaller than the average shop described by CID's survey.

2. Stall holders, mobile sellers and grocers in the market-place.

The design of the sample of retailers in the market-place to be surveyed by CID was based on a Census carried out by CID of all the sellers in the 35 public markets operating in Bogotá at the time. Representativeness was sought in accordance to two criteria: 1) type of product sold (i) groceries; (ii) fruits, vegetables and staples, and (iii) products of animal origin, and 2) the location of the public markets in relation to the distribution of the different socio-economic

Table 2: Composition of DANE's 816 Establishments Sample and CID's 120 Establishments Sample by Type of Business and Socio-Economic Strata, Bogotá, 1970.

Strata	Groceries		Butchers		Bakeries		Delicatessen		Poulterers		Dairies		Graneros		Total	
	No.	(%)	No.	(%)	No.	(%)	No.	(%)	No.	(%)	No.	(%)	No.	(%)	No.	(%)
DANE's sample of 816 establishments:																
LOW	238	55.6	34	63.0	24	37.5	48	61.5	18	64.3	50	59.5	60	75.0	472	57.8
MEDIUM	170	39.7	14	25.9	28	43.8	24	30.8	6	21.4	26	31.0	20	25.0	288	35.3
UPPER	20	4.7	6	11.1	12	18.7	6	7.7	4	14.3	8	9.5	0	-	56	6.9
TOTAL	428	100.0	54	100.0	64	100.0	78	100.0	28	100.0	84	100.0	80	100.0	816	100.0
% of shops in the sample		52.5		6.6		7.8		9.6		3.4		10.3		9.8		100.0
CID's sample of 120 establishments:																
LOW	20	51.3	5	38.4	5	38.4	7	46.6	5	38.4	7	46.6	8	66.7	57	47.5
MEDIUM	15	38.5	4	30.8	4	30.8	4	26.7	4	30.8	4	26.7	4	33.3	39	32.5
UPPER	4	10.2	4	30.8	4	30.8	4	26.7	4	30.8	4	26.7	0	-	24	20.0
TOTAL	39	100.0	13	100.0	13	100.0	15	100.0	13	100.0	15	100.0	12	100.0	120	100.0
% of shops in the sample		32.5		10.8		10.8		12.5		10.8		12.5		10.0		100.0
Difference between DANE's and CID's samples:																
LOW		-4.3		-24.6		0.9		-14.9		-25.9		-12.9		- 8.3		- 10.3
MEDIUM		-1.2		4.9		-13.0		- 4.1		9.4		- 4.3		8.3		- 2.8
UPPER		5.5		19.7		12.1		19.0		16.5		17.2		-		13.1
% of shops in the sample		-20.0		4.2		3.0		2.9		7.4		2.2		0.2		

Source: CID's Retail Establishments' Survey Report, Tables 1 and 2.

groups. The number of market-place sellers finally chosen by CID for in-depth questioning was 80. These included 59 stall holders, 17 mobile sellers and 4 grocers. Of the 59 stall holders, 9 sold beef, 41 sold fruits, vegetables and staples, 4 sold eggs, chicken and fish, and 5 sold pulses (graneros). The distribution of CID's Census and sample of sellers in the market-place is summarized in Table 3.

3. Supermarkets and co-operative stores.

The design of the sample of self-services to be surveyed by CID was based on a list of them provided by the Corporación de Abastos de Bogotá (CORABASTOS). The establishments were visited and the list was brought up-to-date. After classifying the establishments in accordance to their location within the various socio-economic strata of the city, 27 establishments were selected at random for in-depth questioning: 12 supermarkets and 15 co-operatives. The distribution of the universe of self-services and CID's sample is presented in Table 4.

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1. CID's study was the basis for the restructuring and centralization of the whole system of wholesale distribution of Agricultural produce in Bogotá. Since then, the centre of operations has been transferred from the 'Plaza España' to the new buildings of the 'Plaza de CORABASTOS', located in the south-east of Bogotá.

2. CID, Estudio de Consumidores y Distribución Urbana de Víveres en Bogotá, Universidad Nacional de Colombia, Bogotá, 1971, Vol. 2.

3. CID, Estudio de Consumidores y Distribución Urbana de Víveres en Bogotá, Universidad Nacional de Colombia, Bogotá, 1971, Vol. 4.

Table 3: Composition of CID's Census and Sample of Market-place Sellers by Type of Business and Socio-economic Strata, Bogotá 1970

Strata	Stall holders No.	Stall holders (%)	Mobile sellers No.	Mobile sellers (%)	Grocers No.	Grocers (%)	Total No.	Total (%)
CID's Census of market-place sellers:								
LOW	2824	65.8	1345	72.5	188	62.5	4345	67.4
MEDIUM	1462	34.1	506	27.3	109	36.2	2089	32.4
UPPER	4	0.1	3	0.2	4	1.3	11	0.2
TOTAL	4290	100.0	1854	100.0	301	100.0	6445	100.0
% of shops in the sample		66.5		28.8		4.7		100.0
CID's sample of market-place sellers:								
LOW	45	76.3	17	100.0	3	75.0	65	81.2
MEDIUM	14	23.7	-	-	1	25.0	15	18.8
UPPER	-	-	-	-	-	-	-	-
TOTAL	59	100.0	17	100.0	4	100.0	80	100.0
% of shops in the sample		73.7		21.3		5.0		100.0
Difference between CID's Census and sample:								
LOW		10.5		27.5		12.5		13.8
MEDIUM		- 10.4		- 27.3		- 11.2		- 13.6
UPPER		- 0.1		- 0.2		- 1.3		- 0.2
% of shops in the sample		7.2		- 7.5		0.3		

Source: CID, Retail Establishments' Survey Report, Tables 5-A and 8.

Table 4: Composition of CID Census and Sample of Self-services by Type of Business and Socio-economic Strata, Bogotá, 1970

Strata	Supermarkets No.	Supermarkets (%)	Co-operatives No.	Co-operatives (%)	Total No.	Total (%)
CID's Census of self-services:						
LOW	4	12.5	33	40.6	37	42.6
MEDIUM	11	34.4	21	56.3	32	36.8
UPPER	17	53.1	1	3.1	18	20.6
TOTAL	32	100.0	55	100.0	87	100.0
% of shops in the sample		36.8		63.2		100.0
CID's sample of self-services:						
LOW	2	16.7	9	60.0	11	40.7
MEDIUM	6	50.0	5	33.3	11	40.7
UPPER	4	33.3	1	6.7	5	18.6
TOTAL	12	100.0	15	100.0	27	100.0
% of shops in the sample		44.4		55.6		100.0
Difference between CID's Census and sample:						
LOW		4.2		19.4		- 1.9
MEDIUM		15.6		- 23.0		3.9
UPPER		- 19.8		3.6		- 2.0
% of shops in the sample		7.6		- 7.6		

Source: CID, Retail Establishments' Survey Report, Tables 11 and 12.

Appendix G

Laspeyre Form Quantity Index and Paasche Form Price Index in the Measurement of Expenditure Differentials

In the context of the present study we have used a Laspeyre form quantity index and a Paasche form price index to indicate how much the expenditure on food of a typical high income household differs in quantity and quality from that of a typical low income household. This is done by revaluing the quantities consumed by high income households at the prices paid by low income households for the same commodity. In index number terminology, this means that the expenditures, quantities and prices associated with the typical low income household (Group A) correspond to the 'base' of the index, and those associated with the typical high income household (Group D) correspond to the 'current' observation. The Laspeyre form quantity index and the Paasche form price index corresponding to this case are as follows:

$$\text{Laspeyre form quantity index: } \frac{\text{Group D quantities at Group A prices}}{\text{Group A quantities at Group A prices}}$$

$$\text{Paasche form price index: } \frac{\text{Group D quantities at Group D prices}}{\text{Group D quantities at Group A prices}}$$

Using these two indexes, the following Table illustrates the quantity and price differentials that exist between the typical Group A household and the typical Group B to D household in relation to six basic products.

Table 1: Quantity and Price Differentials between the Typical Group A household and the Typical Group B to D Household in the case of Six basic Products

Products	Group B household versus Group A household		Group C household versus Group A household		Group D household versus Group A household	
	Quantity Index a/	Price Index b/	Quantity Index c/	Price Index d/	Quantity Index e/	Price Index f/
Rice	128.9	100.0	147.1	105.2	162.4	104.4
Potatoes	114.7	100.0	137.1	98.2	124.4	115.4
Oil	145.2	100.0	152.8	100.9	141.0	138.1
Milk	159.9	100.0	174.4	98.7	235.8	102.6
Eggs	173.5	105.5	201.7	98.3	279.7	100.3
Beef	203.1	100.0	284.7	108.8	340.4	117.4
Average	161.7	100.0	193.9	104.5	232.1	111.9

a/ $\frac{\text{B quantities at A prices}}{\text{A quantities at A prices}}$; b/ $\frac{\text{B quantities at B prices}}{\text{B quantities at A prices}}$;

c/ $\frac{\text{C quantities at A prices}}{\text{A quantities at A prices}}$; d/ $\frac{\text{C quantities at C prices}}{\text{C quantities at A prices}}$;

e/ $\frac{\text{D quantities at A prices}}{\text{A quantities at A prices}}$; f/ $\frac{\text{D quantities at D prices}}{\text{D quantities at A prices}}$.

Source: Calculations based on the evidence contained in Table 67.

Appendix H

Consumers' Assessment of the Different Types of Shops in Relation to 12 Characteristics of the Shops (Percentages)

Type of Shop	Convenience of location		Facility and cost of transport		Quality of goods		Range of goods available	
	Best	Worst	Best	Worst	Best	Worst	Best	Worst
Grocery Shop	55.4	10.6	53.7	13.8	19.2	49.3	17.4	59.0
Specialist Shop	3.7	1.6	1.9	1.7	2.4	1.3	1.9	1.9
Market-place	12.4	56.1	16.8	50.0	31.2	39.9	34.6	24.8
Supermarket	9.5	5.6	7.9	7.2	12.0	1.3	11.7	2.1
Co-operative	12.2	13.7	11.8	15.5	22.2	3.9	21.9	4.3
Department Store	1.0	2.9	1.2	2.9	1.7	-	2.5	0.6
IDEMA's shops	3.5	4.1	4.6	2.9	8.0	2.6	6.2	5.6
Home delivery	-	-	-	-	-	-	-	-
Others [a]	2.3	5.4	2.1	6.0	3.3	1.7	3.8	1.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

continues.....

Type of Shop	Price of basic goods		Service		Credit availability		Home delivery	
	Best	Worst	Best	Worst	Best	Worst	Best	Worst
Grocery Shop	16.4	58.9	29.5	31.8	59.8	10.6	37.8	13.2
Specialist Shop	1.8	1.3	2.3	1.5	1.9	0.4	3.6	0.7
Market-place	28.4	30.6	14.3	58.8	7.4	65.4	9.5	74.2
Supermarket	8.8	5.5	14.9	1.1	7.4	5.9	16.2	2.6
Co-operative	24.9	2.1	22.4	1.7	19.7	4.7	25.2	6.6
Department Store	2.5	0.2	3.4	0.6	0.3	1.6	0.4	1.3
IDEMA's shops	11.1	0.8	9.2	2.8	1.6	7.9	3.2	0.7
Home delivery	-	-	-	-	-	-	3.2	-
Others [a]	6.1	0.6	4.0	1.7	1.9	3.5	0.9	0.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

continues.....

Type of Shop	Cleanliness and arrangement of the shop		Display of products		Type of customers who visit the shop		Weights and measures	
	Best	Worst	Best	Worst	Best	Worst	Best	Worst
Grocery shop	31.4	23.3	26.4	30.8	30.6	24.8	23.2	44.2
Specialist shop	2.7	0.4	2.6	1.3	2.8	0.9	2.4	1.7
Market-place	7.3	72.3	10.1	64.2	11.5	69.0	23.2	46.0
Supermarket	14.2	0.6	14.5	1.3	14.5	0.9	14.2	2.0
Co-operative	26.6	1.0	26.9	0.4	27.6	1.7	21.6	3.0
Department Store	3.7	0.2	3.2	0.4	2.8	0.5	2.9	0.3
IDEMA's shops	9.3	1.4	11.1	0.8	6.6	1.7	9.2	1.5
Home delivery	-	-	-	-	-	-	-	-
Others a/	4.8	0.8	5.2	0.8	3.6	0.5	3.3	1.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

a/ Neighbouring towns.

Source: CID, Retail Establishments' Survey Report, Tables 49 to 57. (Information extracted from the Consumers Survey).

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